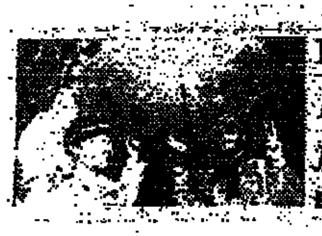
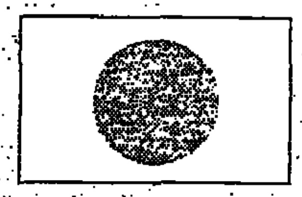


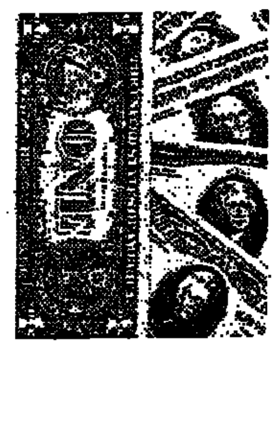
Russia
Painful retreat from empire
Page 12

Big Apple with bruises
New York gets ready for the Democrats
Page 5



Japanese elections
Miyazawa's uphill battle for gains
Page 6

The buck stops where?
Why the dollar is looking green
Page 4



NEWSPAPER of THE YEAR

FINANCIAL TIMES

Thursday July 9 1992 | EUROPE'S BUSINESS NEWSPAPER | D8523A

UK warships on alert in case of sanctions moves

Two British warships are ready to take part in any naval operation to stop sanctions-busting in Yugoslavia. UK prime minister John Major said at the Group of Seven summit in Munich that if a naval operation were agreed HMS Nottingham, a Type 42 destroyer (above), was already at sea in the Mediterranean. HMS Avenger, a Type 21 frigate, was later travelling to join it. Page 2; Bosnia president's plea and other reports, Page 3

Truck strike weakened: French riot police escorted most of the protesting truck drivers from motorways and made further arrests breaking the back of the 10-day truck strike. Page 14

Volvo, Swedish partner of Renault, French carmaker, was attacked in a report commissioned by the French government for losing US market share, having outdated plants and for inefficient management of facilities. Page 15

Lufthansa, German national airline which is suffering continued heavy losses, is taking a 26.5 per cent stake in Lauda Air, small Austrian airline founded by former world champion racing driver Niki Lauda. Page 15

Drive against bank fraud: British police, the Bank of England and the UK security services are planning to join in a renewed fight against bank fraud following last year's closure of the Bank of Credit and Commerce International, the corrupt international bank. Page 14

GPA Group's investment bankers have approached the Kuwait Investment Office and the Abu Dhabi Investment Authority about the placement of up to $500m new shares to plug the gap in the aircraft leasing group's finances. Page 15

Silver price stabilises: Silver recovered slightly, closing up 4 cents at $3.91 an ounce, after its sharp drop on Tuesday caused by extraordinarily heavy selling by the National Commercial Bank of Jeddah. Page 23

Goodbye 'green' pound: The most labyrinthine element of Community law – the "green" currency system – is on its way out. Page 23

Sunday trading law: Pressure on the UK government to reform Sunday trading laws increased after the European Court of Justice suggested English courts had to sort out the confusion surrounding the present law. Page 14

Language gap exposed: Most directors of Britain's biggest companies have neither the language skills nor the overseas work experience to face the challenge of international competition and global markets. Page 8

Chemical blast: A chemical plant at Uithoorn, near Amsterdam, was destroyed in a blast that killed one person and injured at least 11.

Polish premier nominated: President Lech Walesa has agreed to nominate Hanna Suchocka, 46, as Poland's next prime minister in a move towards resolving the country's month-long government crisis. Page 4

Lord Weinstock – a manager apart

GEC AT THE CROSSROADS

Lord Weinstock has a reputation as a financial machine, ruthlessly seeking and greedily hoarding cash. But in reality he is a far more complex character who, despite 30 years running GEC, has remained untouched by the self-congratulatory machismo affecting much of British management. Part four, Page 9

Austria changes presidents: Kurt Waldheim, 73, formally retired as Austria's president after a controversial six-year term. Thomas Klestil, a career diplomat elected in May, took over.

UK minister's threat: European Community environmental legislation could be repealed during Britain's presidency of the EC, UK environment secretary Michael Howard said. Page 8

Rockwell International, the US automotive, electronics and aerospace multinational, is to set up a joint venture in Czechoslovakia to supply components to the country's rapidly developing vehicle industry. Page 7

Rembrandt sold for £4m: A portrait of preacher Johannes Uyttenbogaert by Rembrandt fetched £4.18m ($8m) at Sotheby's London auction.

■ STOCK MARKET INDICES		
FT-SE 100	2,472.6	(–21.1)
Yield	4.93	
FT-SE Eurotrack 100	1,121.53	(–8.30)
FT-A All-Share	1,189.35	(–0.9%)
FT-A World Index	138.67	(–0.2%)
Nikkei	16,600.26	(+140.71)
New York:		
Dow Jones Ind Ave	3,293.28	(–1.89)
S&P Composite	410.27	(+1.11)
■ US CLOSING RATES		
Federal Funds	4%	(2¾%)
3-mo Treas Bills Yld	3.281%	(3.25%)
Long Bond	104$\frac{3}{16}$	(104$\frac{31}{32}$)
Yield	7.693%	(7.595%)
■ LONDON MONEY		
3-mo Interbank	10%	(10$\frac{1}{16}$%)
Liffe long gilt future	Sep 99$\frac{3}{16}$	(Sep 99$\frac{7}{32}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Aug)	$19.975	(20.05)
■ Gold		
New York Comex (Aug)	$348.4	(347.1)
London	$347.7	(345.65)

■ STERLING		
New York:		
$	1.92765	(1.9332)
London:		
$	1.9195	(1.926)
DM	2.8725	(2.885)
FFr	9.67	(9.7125)
SFr	2.585	(2.595)
Y	239.5	(same)
£ Index	92.8	(93.0)
■ DOLLAR		
New York:		
DM	1.4897	(1.4903)
FFr	5.0165	(5.016)
SFr	1.3425	(1.3406)
Y	124.78	(124.05)
London:		
DM	1.496	(1.498)
FFr	5.0375	(5.0425)
SFr	1.347	(same)
Y	124.8	(124.4)
$ Index	60.4	(60.5)
Tokyo close Y 124.0		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es180		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Airbus wins $5bn order for 100 aircraft in US

By Paul Betts, Aerospace Correspondent, in London

THE European aircraft industry received a strong boost yesterday after United Airlines, the second largest US carrier, placed a $5bn order for up to 100 Airbus A320 jets.

This latest breakthrough in the US by the European Airbus consortium comes at a time when the aerospace industry is struggling to win commercial orders while facing a steep decline in defence sales. Airbus beat off a tough challenge from Boeing, its US rival and traditional supplier of jets to United.

The order is also seen as a confidence boost for the twin engine A320 narrow body aircraft, the advanced technology of which has regularly been the subject of controversy centring on the safety of its sophisticated "fly by wire" computerised flight control systems. United's order was "a strong vote of confidence in the A320 and its attributes", Mr Jean Pierson, the Airbus chief executive, said last night.

It is expected to safeguard jobs at Airbus's four partners – British Aerospace, which is a 20 per cent shareholder, Aerospatiale of France (37.9 per cent), Deutsche Aerospace (37.9 per cent) and Casa of Spain (4.2 per cent).

It will provide particular relief in the UK for BAe, which makes Airbus wings, and Rolls-Royce, a partner in the group making the engines chosen by United, in a week when uncertainty has increased over the future of the ($38bn) European Fighter Aircraft project, in which both are involved.

Under the agreement, United is acquiring 50 A320s under a long term leasing deal with options on an additional 50. The first A320 is scheduled to be delivered to the US carrier in November 1993.

Airbus is understood to have put together what industry officials described last night as "very attractive financing" to win the deal against Boeing. One official suggested Airbus had offered United "an extraordinary opportunity".

Although details of the financing were not disclosed, the contract is understood to be very flexible, with some liberal return arrangements in the event of aircraft not being taken up by United.

Boeing said last night it was "extremely disappointed" by United's decision not to choose its Boeing 737-400 twin jet aircraft instead of the rival A320. "We made a very attractive offer and went as far as prudence would dictate. Obviously Airbus could do more," Boeing said.

Boeing in the past has complained vigorously over Airbus government subsidies and what it has felt have been uncompetitive financing practices by the Airbus consortium to win business in the US market.

With the United deal, firm orders placed for the A320 now total 701 aircraft.

West pledges support for Yeltsin's reforms and political leadership

G7 agrees $24bn aid for Russia

By Quentin Peel and Peter Norman in Munich

THE WORLD'S leading industrialised countries yesterday welcomed Russia as a partner of the west and pledged their support for President Boris Yeltsin's economic reforms and political leadership.

Mr Helmut Kohl, the German chancellor, stressed that Mr Yeltsin was in Munich to meet the Group of Seven as a "partner" and not as a "poor relation".

The G7 countries – the US, Japan, Germany, France, Britain, Italy and Canada – offered Russia "help for self-help", endorsing a $24bn package of financial assistance that will be provided in stages through the International Monetary Fund, the industrialised countries and through debt rescheduling.

Though the sums are not large in relation to the scale of Russia's economic crisis, Mr Yeltsin voiced satisfaction at the results of his first wary encounter with G7 summitry. "I certainly didn't expect any more than that and I didn't want any less," he said.

Both Mr Yeltsin and the western leaders stressed that the reform process in Russia was fraught with danger and risk. "We are paying a very, very high price for the transition from totalitarianism and communism to the civilised world," Mr Yeltsin said.

Mr Kohl urged western companies, banks and investors to get involved in Russia. In return, Mr Yeltsin called on western governments to open their markets to Russian goods and services such as space launches and to provide insurance against political risks for private investment in Russia.

Men of stature: Russian president Boris Yeltsin is flanked by UK premier John Major and French president François Mitterrand (left) and German chancellor Helmut Kohl (right)

Following the recent agreement between Russia and the IMF, Mr Yeltsin said he expected "a powerful flow" of private investment into Russia. "If private companies cannot be attracted in these circumstances, I don't know how they can," he said.

Mr Yeltsin, who had earlier demanded far-reaching debt rescheduling, said he was satisfied with an assurance that G7 countries would support rescheduling through the Paris Club of western creditor countries.

Both Chancellor Kohl and Mr Yeltsin said the purpose of the package was to make the economic reforms lasting. "When my presidency comes to an end in 1994, I trust reform will have become irreversible in all its areas," the Russian president said.

Mr Yeltsin met the G7 leaders after they had concluded their own economic summit conference, in which they made clear that help for Russia and other former Soviet republics would "be comprehensive" but tailored to the progress of reform and "internationally responsible behaviour". This would include more reductions in military spending and a determined effort by Russia and the other republics to achieve creditworthiness.

The summit also agreed a plan to make safe Soviet-built nuclear power stations but failed to agree on a joint $700m fund to back the venture. The Russians said they thought the cost of making their nuclear facilities safe in the long term could be $40bn.

It also achieved no breakthrough on the Uruguay Round of trade liberalisation talks, although the G7 leaders said that freer trade would be vital for integrating the former Soviet Union into the world economy.

Mr John Major, the British prime minister, who began the discussions on economic relations with Mr Yeltsin, said the problems that the Russian president faced were "huge" and the dangers "enormous".

Mr Major warned Mr Yeltsin he must prevent hyperinflation, which was the seed-corn of revolution.

Mr Yeltsin dismissed fears of another coup in Russia and insisted that he had no intention of resigning before the end of his term of office.

The G7 stressed the importance of rapid progress toward reconstruction of the farm and energy sectors. They committed themselves to helping to redirect to peaceful purposes the expertise of scientists and engineers who have been working in the weapons industries of the former Soviet Union.

The Munich summit, Page 2
Painful legacy, Page 12
Editorial comment, Page 12

Italian bosses feel the pay pinch

By Robert Graham in Rome

TOP MANAGERS in the Italian public sector are likely to be among the first victims of the new Amato government's impending purge on spending.

The issue of their salaries has been forced on to the agenda by the embarrassing discovery that one of the last acts of Mr Giulio Andreotti's outgoing government was to award 25 per cent pay increases to the heads of the state companies and financial institutions.

This had gone unnoticed until this week when the decree, dating back to June 15, was published in the official gazette. The increases, once known publicly, provoked a chorus of political protest which government officials were quick to mollify.

Officials of the new government said it would be hard to justify high salary rises at a time when public sector pay could be frozen and the government wished to convey an image of austerity.

A new decree is now expected either to limit the rises or cancel them altogether as a side bar to the emergency austerity budget due to be announced at the end of the week.

The biggest increases have gone to Mr Franco Nobili of IRI, the main state holding company, to Mr Gabriele Cagliari of ENI, the state oil concern, and to Mr Gaetano Mancini of Efim, the state industrial holding com-

Continued on Page 14
UK MPs' pay, Page 8

Sterling's slide hits hopes of rate cut

By Peter Marsh and James Blitz in London and Peter Norman in Munich

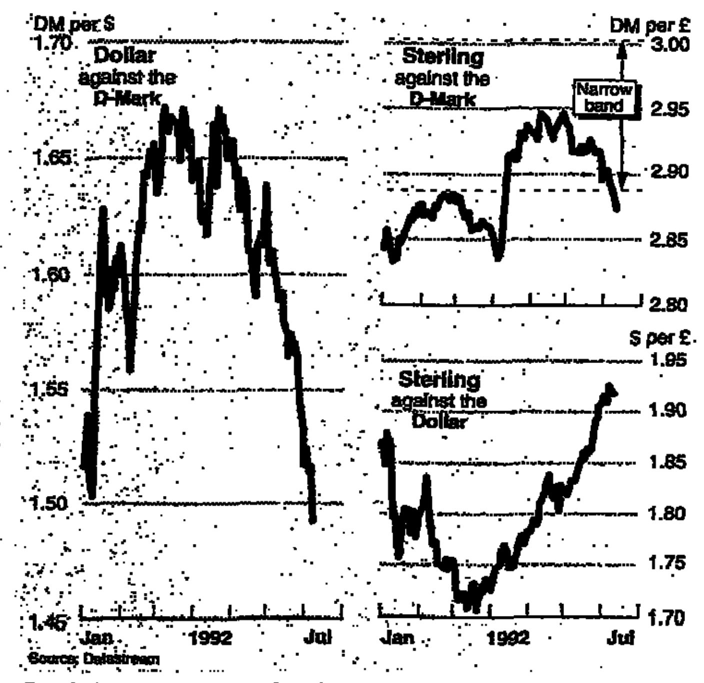
THE British government's ability to cut interest rates was further weakened yesterday as sterling dipped to its lowest point against the D-Mark since April 9, the day of the general election.

Sterling's slide was assisted by strong buying pressure directed at the D-Mark, which on a turbulent day on world currency markets gained at the expense of a weaker dollar.

Mr Norman Lamont, the chancellor, attempted to buttress the pound by once again ruling out a devaluation. Speaking in Munich, on the final day of the summit of the Group of Seven leading industrial nations, he said there was "no question of an alteration of sterling's exchange rate value vis à vis European currencies".

He said the UK would keep interest rates at whatever level was necessary to maintain the pound's value and reaffirmed his commitment to take sterling, when appropriate, into the narrow bands of the ERM at the DM2.95 central rate.

Although the pound rallied slightly after Mr Lamont's comments, it finished last night in London down 1¼ pfennigs against the D-Mark at DM2.8725. In New York, sterling closed at DM2.8735.



Meanwhile, with the summit's final communiqué failing to mention any international bid to prop up the dollar, the US currency continued its recent slide. However, after touching a 15-month low against the D-Mark, it revived in late European trading to close in London at DM1.497, and in New York at DM1.4897.

The pound's weakness is likely to rule out any immediate cut in UK base rates, held at 10 per cent for the past two months. Many industrialists and politicians would like Mr Lamont to engineer a cut in borrowing costs.

At the Munich summit, Germany came under pressure, from Mr Lamont and other finance ministers, to relax its own high interest rates, a move which would stimulate global growth.

However, senior Bank of England officials have privately conceded there is little chance of a rate cut by the Bundesbank before late autumn at the earliest, reducing the prospects of an early move by Britain on borrowing costs.

Continued on Page 14
Aimless dollar, Page 4
Lex, Page 14
Currencies, Page 32

CONTENTS

G7's annual gathering borders on the irrelevant

Nothing was decided in Munich that could not have been determined in other national, bilateral and multilateral forums, argues Jurek Martin

IT IS too easy to say the Group of Seven economic summits have outlived their purpose. What is becoming increasingly apparent, however, is that there is no point in holding them, like clockwork, once a year.

They should be convened not merely for serious discussions, but when there is something serious to decide. There is a big difference between the two.

Gatt, the state of the world economy, the importance of financial and other assistance to the former Soviet republics and, on the political side, the plight of what was Yugoslavia, all constitute serious subjects.

But on none of them was anything decided in Munich that could not have been determined in other national, bilateral and multilateral forums and, in the case of the world economy and supporting President Boris Yeltsin, already has been.

A case existed for a summit devoted to giving what is now laughably called the final political push to a successful conclusion of the Uruguay Round. But it has been apparent for some weeks that France did not want a Gatt agreement as a hostage to fortune prior to its September referendum on the Maastricht treaty, while President George Bush is equally nervous about alienating his farmers before November's presidential election.

For all the heads of government, their finance and foreign ministers and other officials beyond number to convene in Munich to hear the obvious makes mockery of the process. The sheer size, formality and expense of the summit exercise may also be questioned in the age of instant and efficient technological communication.

Of course, much is made of the value of the informal exchanges that summiteers may derive from their wining and dining. The problem is that this goes on all the time anyway. They all met in Rio de Janeiro less than a month ago for the Earth Summit, and the Europeans in Lisbon 10 days back.

Mr John Major met Mr Bush in Washington prior to the Earth Summit and Mr Kiichi Miyazawa of Japan met the US president last week. Mr Bush and Mr Brian Mulroney of Canada confer all the time.

Mr Yeltsin has been to Washington, Ottawa, London and Paris since becoming president. Chancellor Helmut Kohl and President François Mitterrand are always getting together. It is hardly as if the leaders do not know each other, with the possible exception of Mr Giuliano Amato, the new Italian primo minister.

A case once existed for building up the G7 into something it was not, perhaps by providing it with a permanent secretariat beyond the floating crew of sherpas. But the determination of all G7 countries to vest the United Nations with greater authority, together with renewed reliance on the technocrats of the International Monetary Fund, has rendered this unnecessary.

A summit might also be appropriate to celebrate something remarkable – the collapse of communism in eastern Europe and the Soviet Union, for example. Houston in 1990 and London last year constituted such, in their way, appropriate venues, given the roles played by President Ronald Reagan and Mrs Margaret Thatcher. Causes for celebration are not now conspicuously evident.

There used to be a belief, too, that national electorates would be impressed by their political leaders striding purposefully on the world stage, or being ferried around on golf carts.

However, the domestic political benefits of summits has always been wishful thinking.

President Gerald Ford hosted the second summit in Puerto Rico in 1976 and was out of office a few months later. Venice in 1980 did nothing for President Jimmy Carter nor Tokyo in 1986 for Mr Yasuhiro Nakasone. The casualty list is so long that it is surely apparent that most people back home care little.

It can be worse, too. Mr Bush is not getting the glowing press coverage of his performance at Munich, while Mr Major is not without egg on his face for his aborted attempt to rescue Gatt. It is hard to think of a single statesman who leaves with an enhanced reputation.

The curious thing is that the above criticism is not confined to the thousands of journalists who scurry from one national briefing to another in search of the slightest nuance. It is now the stuff of private conversations of any number of senior officials gathered here.

One finance minister has been heard to remark he enjoyed his holiday in Munich.

The perfect testament to the irrelevance of this summit is that it has effectively been hijacked by Mr Yeltsin, whose country is not even a member and who has come to Munich cap in hand.

The conclusion must be that summits can still serve a purpose, but that this must be evident beforehand. The emptiness of all the communiqués and statements issued in Munich demonstrates a lack of this essential ingredient.

Organisations survive by adapting to change. Party political conventions in the US are under fire because they no longer serve their original purpose of choosing presidential candidates, who emerge from the preceding primaries.

The annual economic summit of the biggest and richest nations faces a comparable challenge.

Its future and relevance are now in doubt. The summiteers should count themselves lucky that Bavaria is rich enough to foot the bill, but it is easy to think of better homes for its money.

Opportunity for Gatt deal seen in autumn

By Peter Norman in Munich

THE world's leading industrial democracies yesterday vowed to make another attempt to resolve the stalled Uruguay Round of trade liberalisation talks. But it became clear that a breakthrough cannot be expected before France's September referendum on the Maastricht treaty.

Undeterred by their failure to meet an end-1991 deadline for concluding the round that was agreed at last year's London summit, they set the end of 1992 as a new deadline.

In their statement at the end of this year's summit, the leaders of the US, Japan, Germany, France, Britain, Italy, Canada and the European Commission expressed "regret" at the slow pace of negotiations since the London meeting. But said they were convinced a balanced agreement was within reach.

The communiqué said that an accord to create more open markets for goods and services "will require comparable efforts from all negotiating partners". The statement, which G7 officials said represented a firmer commitment than last year's, outlined areas of further work for negotiators in the trade round, which is being carried out under the auspices of the General Agreement on Tariffs and Trade.

The G7 leaders said more work was required on making internal farm support consistent with the EC's recently adopted reform of the common agricultural policy as well as on dealing with volumes of subsidised exports and the avoidance of future trade disputes. Problems over market access and trade in cereal substitutes also had to be resolved.

Mr John Major, the UK prime minister, who tried and failed to achieve a breakthrough on Gatt at the meeting, said afterwards that he thought progress had been made. He warned that Britain would keep returning to the subject and he would "continue to bully and badger, cajole and encourage the negotiators to get together for there to be a speedy settlement without delay".

The remaining gap in the Uruguay Round talks was relatively small, he said. In Britain's case "we could settle our differences in 30 minutes".

President George Bush also said he was ready to conclude a Gatt agreement "right now".

However, the best time for such negotiations is generally considered to be between the French referendum and the US presidential election at the beginning of November. This is understood to be the view of the European Commission, which is the Gatt negotiator for the Community.

Chancellor Helmut Kohl, who chaired the summit, said the talks in Munich had shown that a breakthrough and a balanced result on Gatt were possible. "I'm not only optimistic," he said. "I will go further. I expect that we will at last have reached that objective by the end of this year."

Mr Major said it was "essential to have a discussion here. As a result, we have got a firmer commitment to detailed negotiations on the outstanding issues than we have had before."

Although his efforts seemed to many observers to be a political setback, he won support from some delegations. "If no European had tried, if there had been no signal from Europe, we would have had a very unhappy President Bush," a Canadian official said.

In Geneva, Mr Arthur Dunkel, Gatt director-general, said there would be disappointment that recognition that a balanced trade agreement was within reach had "not led to a more substantial step forward in Munich".

President Mitterrand (right) and his foreign minister, Roland Dumas, put their heads together at the summit yesterday

Kohl tries to dispel domestic disquiet

By Quentin Peel

FOR Chancellor Helmut Kohl, the Munich summit extravaganza is likely to prove a mixed blessing.

He managed to get through the event unscathed by any substantial criticism of Germany's budget deficit and high interest rates. By producing his draft budget for next year just a week beforehand, showing a strict 2.5 per cent nominal spending growth, he defused any harsh words there might have been.

On the home front, however, the sight of huge security arrangements, cavalcades and celebrations for his fellow-heads of state, and the bill – at an estimated DM35m (£12m) – have irritated the electorate. "It's a disgrace," was the most printable comment from a Munich taxi driver.

The perception of conspicuous consumption was compounded by graphic television pictures of Bavarian police manhandling demonstrators who dared to boo and whistle at the visitors. Add to this the feeling that on the environmental front, including action to make safe the worst nuclear reactors in eastern Europe, Mr Kohl secured less than he should or could have done, and it is no wonder he was on the defensive at his closing press conference.

When asked why there was no successful conclusion on Gatt, Mr Kohl insisted negotiating positions had converged in recent months. He stopped short of blaming his friend President François Mitterrand for the final stumbling block, as some of his colleagues had done, but he was confident there would be a deal by the year's end.

When questioned on the half-baked nuclear deal, he admitted it was only a first step, but Germany could not do it alone.

An attack on police tactics won the longest reply of all.

The whole point of the summit was to "show Germany in a most commendable light, and at the same time to fulfil the demands made of us internationally," Mr Kohl said. "When flags are flown, and leaders of other countries visit us, this must happen in an atmosphere of dignity.

"People who come along to shout unpleasant things at guests should not expect any sympathy. It is deliberately doing down our country."

It was an answer that might appeal to the conservative lobby. But it will not dispel the impression of an extravagant event, with too little substance to appeal to voters.

'Green' pledges fail to please

ENVIRONMENTALISTS yesterday accused G7 leaders of failing to keep their promises, Reuter reports.

The final summit communiqué said last month's Earth Summit in Rio de Janeiro had heightened awareness of global environmental problems. "Rapid and concrete action is required to follow through on our commitments on climate change, to protect forests and oceans, to preserve marine resources and to maintain biodiversity."

It listed nine action points which were almost identical to a proposal agreed by EC leaders in Lisbon last month.

Environmentalist groups were not impressed. "The G7 leaders reveal an inability or unwillingness to think through the environmental implications of the major issues that occupied them," said Mr Scott Hajost, of the US Environmental Defence Fund.

Mr Andrew Dilworth, of Britain's Friends of the Earth, said the leaders were like actors who had dried up and could only repeat the same old lines. "After the Earth Summit, the G7 should be setting an example by announcing detailed plans to reduce their emissions of the main greenhouse gas, carbon dioxide."

Mr John Major, UK prime minister, was heckled at a news conference by a man shouting that the summit was nothing but empty words and "something must be done" to save the forests.

In their statement, the G7 also:

- Reaffirmed their commitment to supporting reforms in eastern Europe. They backed reallocation of a $1bn fund for Polish foreign currency stabilisation, which has not been drawn upon, to strengthen companies' competitiveness.
- Accepted Japan's invitation to a summit in Tokyo next July.

Mitterrand basks in the Bosnia afterglow

By Robert Mauthner in Munich

IN SPITE of the combined efforts of the "Anglo-Saxon" press to blame France for the failure to achieve a breakthrough on Gatt, President François Mitterrand was looking particularly relaxed at the end of the summit.

Gatt aside, he has had a good conference. The international prestige he gained by his recent walkabout in Sarajevo placed him at the centre of the debate on Yugoslavia. His views on dealing with the situation there were listened to with respect and were fully reflected in the leaders' special statement on the subject.

It was Mr Mitterrand who proposed that the European Community peace conference on Yugoslavia, chaired by Lord Carrington, should be expanded into a wider international conference under United Nations aegis, a suggestion not entirely to Britain's taste.

At his final news conference, Mr Mitterrand went out of his way to reject the conventional wisdom in the conference centre, which the US delegation did nothing to dispel, that France's relations with the US had reached rock bottom. Not at all, he proclaimed. His personal relationship with President George Bush was excellent. They agreed on many more issues than they disagreed over. If their views on Gatt, though closer than before, were still some way apart, that was normal for two leaders representing different national interests.

Nor was the French president ready to accept, somewhat less convincingly, that he could make no more concessions on Gatt agricultural problems before the French referendum on the Maastricht treaty in September.

France, after all, had agreed to the recent reforms of the EC's common agricultural policy regardless of the unfavourable domestic reactions these were bound to cause. France was as anxious as anyone to reach an equitable Gatt agreement, he said, but this required concessions by all sides. The ball was now in the US court. He was fully prepared to examine any new proposals from Washington before the French referendum.

Normally rendered comatose by technical economic discussions, Mr Mitterrand found the predictable economic platitudes dispensed by his colleagues on this occasion rather more comprehensible and to his liking. Even he found no difficulty in subscribing to concepts such as "world growth is the prerequisite for solving a variety of challenges we face in the post-cold war world" (the words of the final communiqué) and to joint action to assure that the sluggish global economic recovery gathers strength.

Basking in the Bosnian afterglow, Mr Mitterrand found no reason to share the widely-held view that G7 summits had become an expensive waste of time. The debate on Yugoslavia gave him a good opportunity to hold forth on a subject with which he feels comfortable and on which he has well-defined views. And the park around the Residenz palace where the conference was held allowed him to take walks among the trees he loves so much as a relief from growth and interest rates.

Chancellor Helmut Kohl gets a pat on the back as he attends the plenary session of the G7 summit

Soviet N-reactor safety cash cut down to $100m

By Quentin Peel in Munich

LEADERS of the G7 yesterday failed to agree on a $700m emergency fund to make Soviet-designed nuclear reactors safe, but decided on a much smaller $100m fund to complement their bilateral programmes.

Chancellor Helmut Kohl admitted that the outcome amounted only to "the first steps. Much larger steps are necessary in the future".

The G7 did agree to back a common programme of action, based on the conclusions of a nuclear safety working group, which warned that no fewer than 25 power stations in Russia and eastern Europe should be closed urgently.

However, the lack of alternative energy supplies means that at first only emergency safety measures will be carried out. The 15 remaining Chernobyl-type reactors, and 10 other early model pressurised water reactors will stay in operation until alternatives are available.

The programme contains three parts: urgent safety measures on the power stations; more substantial redesign alterations; and help for the affected countries in establishing more rigorous safety control and inspection.

The plan is to carry out the programme through bilateral contracts, all co-ordinated through the 24 OECD industrialised countries, and the European Bank for Reconstruction and Development (EBRD).

The compromise on financing amounts to a disappointment for the Europeans, and above all for Mr Kohl, although all attempted to put a brave face on it yesterday.

It resulted from US and Japanese resistance to the idea of a common nuclear safety fund. On the US side, this was stated as a worry that a multilateral fund would be excessively bureaucratic, and take too long to put into action. US officials also expressed doubt about the ability of the EBRD to supervise the entire programme.

Japanese doubts about the effectiveness of a multilateral fund were compounded by unwillingness to make substantial further financial commitments until the political dispute with Russia over the ownership of the Kurile islands is resolved. The Chancellor questioned Japan's reserve. "Japan is pretty close to Vladivostok. There are nuclear power stations in Vladivostok, of the same design," he said.

Officials involved in the programme suspect that a desire to protect national nuclear contractors, such as Westinghouse in the US, Siemens' KWU in Germany, Framatome in France, GEC in Britain, and Mitsubishi in Japan, also made agreement difficult.

The $100m fund will be used to carry out those emergency measures which the bilateral contracts fail to include. The European argument in favour of a joint programme was based on the fear that individual countries would avoid the most difficult safety programmes.

Mr John Major, the British prime minister, said all G7 members would contribute to the smaller fund, a success in itself in persuading some movement from the US. Non-G7 countries will be encouraged to contribute.

Strong growth vital to meet post-Cold War challenges

WORKING together for growth and a safer world – final Munich summit statement. Extract on world economy and trade.

"Strong world economic growth is the prerequisite for solving a variety of challenges we face in the post-Cold War world. Increasingly, there are signs of global economic recovery. But we will not take it for granted and will act together to ensure the recovery gathers strength and growth picks up.

Too many people are out of work. The potential strength of people, factories and resources is not being fully employed. We are particularly concerned about the hardship unemployment creates.

Each of us faces somewhat different economic situations. But we all would gain greatly from stronger, sustainable non-inflationary growth.

Higher growth will help other countries too. Growth generates trade. More trade will give a boost to developing nations and to the new democracies seeking to transform command economies into productive participants within the global marketplace. Their economic success is in our common interest.

A successful Uruguay Round will be a significant contribution to the future of the world economy. An early conclusion of the negotiations will reinforce our economies, promote the process of reform in eastern Europe and give new opportunities for the well-being of other nations, including in particular the developing countries.

We regret the slow pace of the negotiations since we met in London last year. But there has been progress in recent months. Therefore we are convinced that a balanced agreement is within reach.

We welcome the reform of the European Community's common agricultural policy, which has just been adopted and which should facilitate the settlement of outstanding issues.

Progress has been made on the issue of internal support in a way which is consistent with the reform of the common agricultural policy, on dealing with the volume of subsidised exports and on avoiding future disputes. These topics require further work. In addition, parties still have concerns in the area of market access and trade in cereal substitutes that they seek to address.

We reaffirm that the negotiations should lead to a globally balanced result. An accord must create more open markets for goods and services and will require comparable efforts from all negotiating partners.

On this basis we expect that an agreement can be reached before the end of 1992.

We are committed, through co-ordinated and individual actions, to build confidence for investors, savers, and consumers: confidence that hard work will lead to a better quality of life; confidence that investments will be profitable; confidence that savings will be rewarded and that price stability will not be put at risk.

We pledge to adopt policies aimed at creating jobs and growth. We will seek to take the appropriate steps, recognising our individual circumstances, to establish sound macroeconomic policies to spur stronger sustainable growth. With this in mind we have agreed on the following guidelines:

- to continue to pursue sound monetary and financial policies to support the upturn without rekindling inflation;
- to create the scope for lower interest rates through the reduction of excessive public deficits and the promotion of savings;
- to curb excessive public deficits, above all by limiting public spending. Taxpayers' money should be used more economically and more effectively.
- to integrate more closely our environmental and growth objectives, by encouraging market incentives and technological innovation to promote environmentally sound consumption and production.

As the risk of inflation recedes as a result of our policies, it will be increasingly possible for interest rates to come down. This will help promote new investment and therefore stronger growth and more jobs.

But good macroeconomic policies are not enough. All our economies are burdened by structural rigidities that constrain our potential growth rates. We need to encourage competition. We need to create a more hospitable environment for private initiative. We need to cut back excess regulation, which suppresses innovation, enterprise and creativity. We will strengthen employment opportunities through better training, education and enhanced mobility. We will strengthen the basis for long-term growth through improvements in infrastructure and greater attention to research and development. We are urging these kinds of reforms for new democracies in the transition to market economies. We cannot demand less of ourselves.

The co-ordination of economic and financial policies is a central element in our common strategy for sustained, non-inflationary growth. We request our finance ministers to strengthen their co-operation on the basis of our agreed guidelines and to intensify their work to reduce obstacles to growth and therefore foster employment. We ask them to report to our meeting in Japan in 1993."

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

CSCE states to set up peace-keeping forces

By Judy Dempsey in Helsinki

LEADERS representing the 52-nation Conference on Security and Co-operation in Europe (CSCE) will tomorrow agree to set up armed peace-keeping forces aimed at preventing the spread of conflicts in member states.

The forces, drawn from CSCE countries, including the republics of the former Soviet Union, will involve civilian and military personnel acting as observers, monitors, or elements of larger military operations.

The proposals, agreed early yesterday following four months of negotiations, is seen as an attempt to beef up the organisation's military and security role in Europe and the former Soviet Union.

Despite reservations among some diplomats that any CSCE peace-keeping efforts would simply duplicate the role already played by the UN, British and US diplomats yesterday said the CSCE would compliment UN operations.

"The CSCE will work more closely with the UN, the WEU [the nine-member Western European Union], the European Community and Nato, and must play a greater role in conflict prevention and crisis management," a US diplomat said.

However, the detailed, 90-page document stipulates that CSCE peace-keeping operations would neither entail "enforcement action," nor would any military mission be sent until a durable ceasefire had been established. In addition, the document rules out the establishment of a permanent CSCE army. "Each conflict will be judged case by case," said Mr Istvan Gyarmati, head of the Hungarian delegation.

Another western diplomat added that it would require "considerable political will and consensus to set up a force and deploy it in a member state."

Diplomats said the need for the CSCE to have its own peace-keeping mechanism stems partly from the sharp escalation in ethnic conflicts, particularly in the former Yugoslavia and CIS, and the need for it to define its role in the post-communist era.

In response to the increasing violation of ethnic rights in the former communist states, the final document calls for the establishment of a CSCE High Commissioner on National Minorities – despite strong opposition from Britain, France, Turkey and the US.

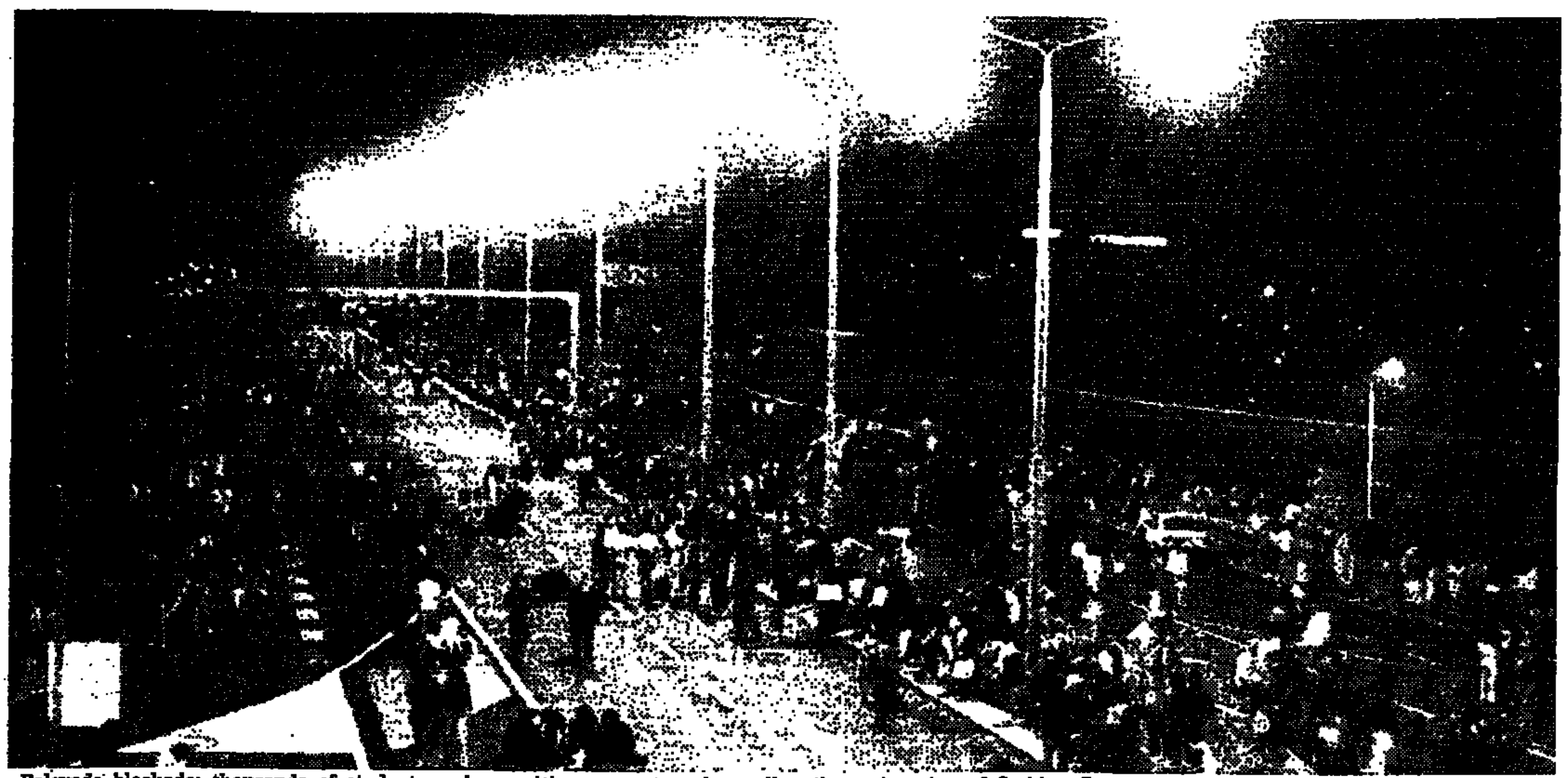
The primary role of the commissioner is to act as an "early warning system," through monitoring potential ethnic conflicts.

President Boris Yeltsin yesterday pledged that Russia would pull its remaining 130,000 troops out of the Baltic states by mid-1993, a French official at the G7 summit in Munich said, write Judy Dempsey in Helsinki and Robert Taylor in Stockholm.

The announcement came after the CSCE called on Russia to withdraw its troops from the three Baltic states.

The CSCE statement, agreed by all 52 members, follows weeks of intensive negotiations between Latvia, Estonia, and Lithuania and the CSCE.

Diplomats said the statement referred only to the Baltic states, because other CSCE countries would not accept a general statement relating to the issue of the withdrawal of foreign troops from CSCE countries.



Belgrade blockade: thousands of students and opposition supporters demanding the resignation of Serbian Communist President Slobodan Milosevic and his government block the main M-70 highway in the Yugoslav capital early yesterday. Riot police had earlier stopped a protest in front of Mr Milosevic's house

'EXPLORATORY' MISSIONS TO BE SENT AS YUGOSLAVIA IS SUSPENDED

By Judy Dempsey in Helsinki

THE Conference on Security and Co-operation in Europe (CSCE) will dispatch "exploratory" missions to Serbian-controlled Kosovo, Vojvodina, and Sandjak in a move aimed at deciding what future role the CSCE will play in the region.

The announcment, made yesterday by a CSCE committee, coincided with a decision to suspend the rump Yugoslavia, consisting of Serbia and Montenegro, until October 14. Several countries wanted Yugoslavia expelled, but Russia vetoed any such move. Diplomats said the compromise would serve as a carrot and stick for Serbia.

For instance, western diplomats said if the dismal human and ethnic rights record in Kosovo, Vojvodina, and Sandjak – which have sizeable Albanian, Hungarian and Moslem minorities respectively – did not improve by October 14, there was little chance that Yugoslavia would be admitted.

Diplomats said Serbia and Montenegro would not automatically become the legitimate successor to the former Yugoslavia. "Like any new state, it will have to apply for CSCE membership," an east European diplomat said.

Bosnia president appeals for help to end civil war

By Laura Silber in Belgrade

PRESIDENT Alija Izetbegovic of Bosnia yesterday took advantage of a lull in the fighting in Sarajevo and flew to the CSCE meeting in Helsinki, where he will appeal for international help to end the civil war.

Bosnia's mostly Moslem government has appealed for foreign military intervention in Bosnia.

Mr Fikret Abdic, a member of the Bosnian presidency, yesterday told journalists: "If he [President Bush] is really ready to defend his new world order, here is his chance. It will either rise or fall with Sarajevo."

Mr Izetbegovic, a Moslem, left aboard a departing relief flight. Eighteen international relief flights yesterday arrived in the Bosnian capital, the largest number since the airlift began last week.

Some 811 tonnes of food aid and medical supplies had arrived in Sarajevo as of Tuesday, most of which had already been distributed to local charities.

Mrs Sadako Ogata, the UN High Commissioner for Refugees, yesterday was in Sarajevo to meet Bosnian leaders and UN officials.

Meanwhile, in Serbia the introduction of new dinar bank notes has wreaked havoc in the economy and government officials this week set up a commission to investigate who is responsible for the monetary chaos.

Serbians have been francti-cally scrambling to get new bank notes since the weekend, with people packing into banks.

Few shopkeepers in the Serbian capital have bank notes below 5,000 dinars (£8). Mrs Dragana Markovic, a 65-year-old pensioner, yesterday bought one litre of milk and a loaf of bread. She received her change in chewing gum and sweet cream.

Townspeople in Leskovac, southern Serbia, yesterday gave their identity cards instead of dinar notes to buy bread. One man went to a market to buy tomatoes and received his change in pears.

Toll-booth operators on the Serbian motorway, once a major international thoroughfare, now wave every other car through because they have no change.

Belgrade economists say the shortage of dinar notes may be a heavy-handed attempt by the federal government to squeeze the monetary supply.

Russian defence ministry turns on Kozyrev

By John Lloyd in Moscow

A BITTER struggle erupted yesterday within the Russian government, as the ministries of defence and security turned on Mr Andrei Kozyrev, the foreign minister – accusing him of doing the job of US intelligence in seeking the reform of the security and defence systems.

Their spokesmen rejected claims by Mr Kozyrev last week, that a "party of war" was operating in military circles and that security and defence officials were nurturing a coup. They said that local disturbances based on economic grievances were possible, however.

They said Mr Kozyrev's call for "radical reform" of the KGB and defence departments would destroy the professional competence of these agencies – the aim of the US Central Intelligence Agency.

Last week Mr Kozyrev also accused the Russian military of supplying the bulk of the arms being used in the conflict in Moldova and its breakaway region of TransDnestr, and asked – "Why are the military deciding major political questions? When tanks turn into an independent political force, this spells catastrophe."

General Alexander Lebed, recently appointed head of the 14th Russian Army in the TransDnestr, which has a *majority Russian/Ukrainian* population, responded by saying that Moldova's government was a "fascist" one and that the TransDnestr, which is claiming independent status, would be defended.

The defence ministry yesterday refused to condemn General Lebed's remarks. On the contrary, General Alexei Gulko, one of its representatives, said that "Alexander Lebed is a Russian patriot, and his statement met with understanding from the officers of the 14th Army."

The defence and security ministries initiative yesterday casts doubt on the worth of the agreement reached at the meeting of the heads of the Commonwealth of Independent States on Monday to send a peace-keeping force to Moldova to separate the warring forces.

A ceasefire called in the region for Tuesday night was reported to have been violated several times yesterday, and the government of Belarus, one of the states which was to have sent a peace-keeping contingent, said it will not do so.

However, Marshall Yevgenny Shaposhnikov, head of the CIS armed forces – which largely now consists of strategic nuclear weapons – said yesterday that General Boris Pyankov, his deputy, would be in charge of settling armed conflicts within the CIS countries – and that foreign and defence ministers are scheduled to meet in Minsk next *Thursday to define* how and where a peace-keeping force would be used.

French economy will grow 2%, says OECD

By Ian Davidson in Paris

THE French economy has performed better than most of the world's leading industrial countries, but will only gradually return to a faster rate of growth, according to the latest annual report by the Organisation for Economic Co-operation and Development (OECD).

After last year's real growth in output of only 1¼ per cent, the OECD anticipates growth of about 2 per cent this year, followed by 2½ per cent in 1993.

One aspect of the economy which remains a black spot is high unemployment, which has remained at 9-10 per cent for about eight years, "one of the worst outcomes among OECD countries."

Since there is little or nothing the French government can do to hasten economic recovery in the short term, the Paris-based organisation urges it to stick more firmly to its established medium-term policy guidelines, notably its earlier trajectory of steadily declining budget deficits.

Despite the sluggish growth forecast, France's overall economic performance has been among the best of the major OECD countries, says the report.

For the past two years, the national budget has swung into unplanned levels of deficit as a result of the economic slowdown. Now that recovery lies ahead, says the OECD, the government should hold down spending increases below the level of GDP growth, especially on current expenditure, whereas capital spending should be maintained.

The report is adamant that there is no possible or desirable alternative to the present monetary policy. In particular it rejects suggestions the government could hasten economic recovery by a monetary relaxation and a devaluation of the franc.

It also rejects the argument that this would allow lower interest rates and faster export growth as a result of greater competitiveness. The credibility of the government's successful anti-inflation policy would be destroyed, and the risk premium embodied in long-term interest rates would almost certainly rise.

"A policy reversal would not be consistent with France's central role in the process of European economic and monetary integration; it would also discredit the whole European enterprise," says the OECD.

"Given a continuation of prudent macro-economic policies, once the current slow-down in partner countries is overcome, there is every reason to believe that activity will pick up and unemployment will begin to ease, while disinflation resumes and competitiveness continues to improve."

To help deal with the structural problem of unemployment, especially among the young, the OECD recommends the balance of labour market policy should be shifted away from unemployment benefit and early retirement, towards more active training and job placement policies.

Walesa nominates lawyer as new PM

By Christopher Bobinski in Warsaw and Anthony Robinson in London

PRESIDENT Lech Walesa has agreed to nominate Ms Hanna Suchocka, a 46-year-old lawyer from Poznan as Poland's next prime minister in a move towards the solution of Poland's month-long government crisis.

Ms Suchocka is expected to head a coalition government containing seven parties with Solidarity-movement origins.

The president yesterday told Ms Suchocka, who is from the pro-market Democratic Union (UD) party, that he was "respecting democracy" by approving her nomination, although he still thought Mr Waldemar Pawlak, his own designated prime minister, was "a better long-range candidate." Mr Pawlak, a farmers' party leader who failed to construct a majority cabinet, will now resign to make way for Ms Suchocka whose candidacy could be voted on as early as tomorrow.

The new coalition has bowed to President Walesa's wishes by keeping in place his nominees for the defence, interior and foreign affairs ministries and kept out the right-wing Centre Alliance.

The remainder of the projected new government marries the Democratic Union, the largest of 29 parties elected at last October's general elections, and the Liberal Democratic Congress (KLD) with the fundamentalist Catholic and right-wing nationalist ZChN party as well as the Solidarity farmers' groups. These seven parties control some 190 votes in the 460-seat parliament and the coalition can also count on support from the Solidarity trade union group which should be enough for a working majority.

The finance ministry is to be headed by Mr Jerzy Osiatynski, who favours strict monetary controls and has previous government experience. Privatisation returns to Mr Janusz Lewandowski who headed the ministry last year.

Hurd pledges pragmatism at helm

By David Buchan in Strasbourg

THE European Community must "attempt less, and accomplish better what it does attempt," it was told yesterday by its new British presidency.

In a speech to the European parliament outlining a low-key and pragmatic UK programme for the next six months, Mr Douglas Hurd, British Foreign Secretary pledged "energy and determination" in consolidating the EC's nearly finished single market programme and its unfinished negotiations on future financing and in opening up the EC more to the world with agreements on Gatt and Community enlargement. But his rather dour message that Britain would not be in "the business of ignoring what is difficult, or of chalking up easy agreements" did not go down very well with most MEPs.

Mr Jean-Pierre Cot, leader of the 180-strong Socialist group, the biggest in the Strasbourg assembly, warned that the UK had no right to impose its minimalist view of Europe on others, or to use enlargement as a pretext to weaken integration.

The idea of legislative self-restraint is perhaps least appealing to the European Parliament, which feels that even the controversial Maastricht union treaty has failed to give it adequate say in EC law-making.

But Mr Hurd said that even where the EC has unquestioned competence, it should think twice before legislating because "excessive intrusion is one of the accusations most often brought against it".

Britain would work to give subsidiarity, or the principle of minimum interference, concrete shape.

Mr Hurd spelt out several priority areas:

- Britain intended to complete the last - and by definition hardest - 10 per cent of legislation needed to create the EC single market plan.
- The eventual compromise on future EC financing would have to cater for the needs of – and Maastricht pledges to – poorer states... "But the final agreement will need to...recognise the budgetary pressures faced by all member states."
- The UK presidency would persevere with the Gatt talks, because failure "would confound our hopes for a more prosperous world and run counter to Europe's interests".

Irish president raises issue of neutrality

By Tim Coone in Dublin

PRESIDENT Mary Robinson of Ireland yesterday urged an open and honest debate on the country's long-standing policy of neutrality.

During a rare address to the two houses of parliament, she emphasised the importance of European union for Ireland's future. "We are a country which has held on principle to a policy of non-involvement in military alliances; yet we have a proper sense of responsibility to our partners. How do we balance these things? We need to debate this honestly, aware that the balance we strike and the approach we take can be both constructive and exemplary," she said.

Irish opponents of the Maastricht treaty fear it will lead to Irish troops being sent abroad in aggressive as opposed to UN peacekeeping roles.

Brittan launches probe into funding for Ilva

By David Buchan in Strasbourg

SIR Leon Brittan, EC competition commissioner, yesterday launched a formal inquiry into L650bn ($572.6m) state aid to Ilva, Italy's state steel company, claiming he was helping Italy rein in spending.

But the new government in Rome had sought more time from Brussels to revise its stock market flotation plan for the company, after it had declared a loss for 1991.

Sir Leon refused to comment on the latest proposals received on Ilva. But he said it was clear that, with the flotation gone awry, the company would need other sources of private finance and the prospect of viability to justify the L650bn as a normal investment, and not state aid.

"This opening of an inquiry should not in any way be regarded as a hostile act towards the new government," Sir Leon said.

The Commission could take several months to rule on the plan. It has the power to scuttle the whole project and said it wanted to check whether the injection of funds amounted to state aid or subsidy which might affect rival steel companies in the Community.

The inquiry might be seen in the US as evidence that the Italian company is subsidising exports there. The US steel industry has accused counterparts in the EC of dumping on American markets.

The Commission came in for sharp criticism from the British government last week when it closed a year-long inquiry and approved a funding package of more than $1bn for Cie des Machines Bull, the French computer group.

Brussels paves way for genetic food law

By David Gardner in Brussels

NEW genetically engineered food and food ingredients would be subject to common authorisation procedures under a proposal approved yesterday by the EC Commission.

The regulation which the 12 are expected to approve would monitor such products as the "flavour-saver" tomato - dependent on a gene which blocks the ripening process - or the "viruscoat" protein for potatoes, to cut use of chemical products during storage.

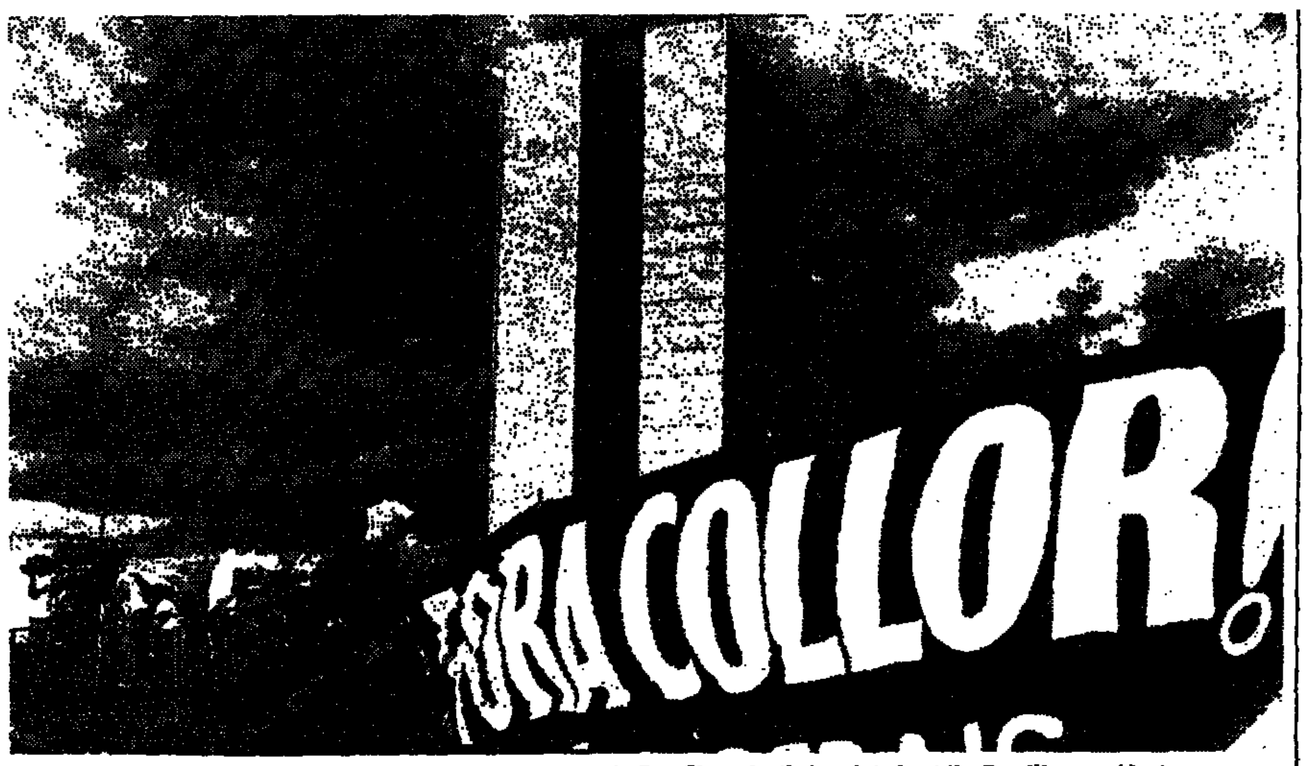
The planned law, to cover everything except additives, should screen the entry of all new or genetically altered substances into the food chain.

Manufacturers will first have to notify their national authorities of a new product, which will look at it in the light of "generally accepted scientific criteria" and the new regulation. Normally, the product will be waved through. But "if there is a substance on which there is no established history of safe use, then it has to be authorised" by a committee of scientific experts from member states.

The move drew fire from Green Euro-MPs who called it "a collection of giant loopholes".

Brazil near bank debt agreement

By Stephen Fidler, Latin America Editor



COLLOR OUT!: Demonstrators with a banner outside Congress in Brasília make their point about the Brazilian president

THE BRAZILIAN government was said yesterday to be on the verge of an agreement in principle, with leading creditor banks, on restructuring and reducing its foreign bank debt burden.

Mr William Rhodes, vice-chairman of Citicorp, the US bank that leads the negotiations on behalf of the banks, said: "We are only hours away from reaching an agreement, although we are not there yet."

The accord, the most complex under the debt reduction initiative launched three years ago by Mr Nicholas Brady, US treasury secretary, would cover about $40bn in debt and substantial arrears of interest. The two sides have been negotiating for nearly a year.

An agreement in principle is the first step towards a deal. A detailed accord or term sheet must then be negotiated with leading banks. Then agreement is required of all creditors.

Mr Rhodes said an agreement "will signal the final phase of Latin America's debt crisis." Other regional big debtors have either completed a Brady deal (Mexico and Venezuela) or have negotiated a detailed accord with leading banks (Argentina).

However, the political crisis around President Fernando Collor of Brazil, with continuing economic problems which may derail an International Monetary Fund programme, mean that doubts remain about whether the agreement will be realised. The Brazilian government aims to seek backing from the senate in Brasília for a detailed accord by the end of next month.

The deal would allow banks to convert their existing debt into one of six types of instrument, each of which eases in some way Brazil's scheduled debt-service burden. Some of these instruments will carry collateral to guarantee interest or principal payments in the case of Brazilian default.

The options include allowing banks to choose to exchange their existing debt for "discount" bonds carrying a 35 per cent discount to face value, for "par" bonds which carry preset concessional interest rates, and "front-loaded" interest reduction bonds (FLIRBs), which reduce Brazil's interest payments in the early years of the accord. All carry collateral.

Aimless dollar gets down to some serious weakness

James Blitz on 'triple-dip' fear and low interest rates

AFTER months of uncertainty about the US dollar, foreign exchange dealers have decided what course of action to take. Sell.

Since April the US currency has been drifting aimlessly in the market, undermined by sluggish growth in the US economy and a huge interest rate differential in favour of the powerful D-Mark.

But in recent days, dealers have become aggressive bears. The dollar is being heavily sold, while the D-Mark, its most important competitor in the market, goes from strength to strength. After peaking at DM1.6750 in the spring, the dollar gradually slumped to around DM1.5200 last Thursday night. Since then it has been hit by a wave of selling, dropping to a 15-month low of DM1.4760 in European trading yesterday.

Most analysts expect it to return to its all-time low of DM1.4430 in February 1991. Others are even more pessimistic: "The market is already gearing up for DM1.44," says Mr Christian Dunis, chief economist at Chemical Bank in London. "The question now is whether the dollar will go into something like a free fall."

Many analysts admit that they have been startled by the dollar's weakness. But in recent days, several factors triggered a decline in confidence:

- Many traders gave up waiting for the upturn in the US economy. Dismal June employment figures released last Thursday were the last straw. A rise in the payroll figure of around 80,000 was expected, but, said one analyst, "the drop of 170,000 forced us to hold up our hands in horror".
- The US Federal Reserve cut its discount rate to 3 per cent, the lowest level for 29 years, in a further attempt to boost the economy. That established a yawning 6.75 per cent gap between US and German short-term interest rates. "It's so costly now to remain a dollar investor that if you don't have good reasons to hold the currency, you have to get out of it," says Mr Dunis.
- The political difficulties of President George Bush are increasingly cited by dealers as a reason to ditch the currency.
- Many dollar investors were disappointed at the outcome of the Munich summit of the Group of Seven leading industrial nations. Far from instigating an attempt to prop up the dollar, the G7 had nothing to say about currencies in its final communiqué.

Analysts now feel that the US authorities are undertaking a policy of "benign neglect" towards the dollar, allowing it to weaken in the hope that it will boostUS exports.

Mr Neil MacKinnon, chief economist at Yamaichi International in London, says exchange rate policy is now the only way the US authorities can speed the upturn. "The other two weapons of economic policy have been spent." There is little that can be done with fiscal policy now that the US has a budget deficit close to $400bn. With interest rates so low, the Fed has run out of monetary ammunition as well.

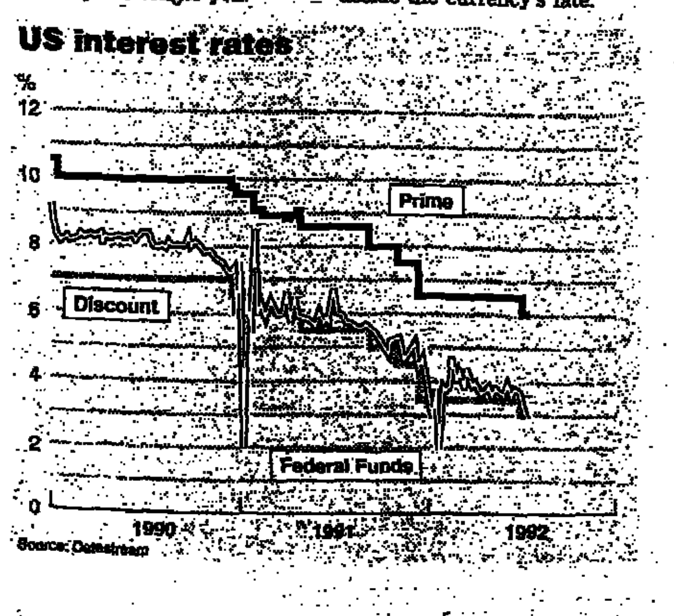
A weaker dollar is probably also welcome to the German and Japanese governments. Fears of high imported inflation in Germany as the eastern states are industrially renovated will mean that a strong D-Mark is welcome. The Bank of Japan, facing an economic downturn, may also need to reduce interest rates later this year, a policy that will be eased by a stronger yen.

Whether the dollar will rebound depends on whether there is an economic upturn in the last half of this year. Some economists are optimistic, recalling that the US economy has been advancing for four quarters, albeit slowly. But Mr MacKinnon remains pessimistic: "The fact is that consumer demand is weak, real earnings are declining and employment prospects are deteriorating."

The US authorities could be forced to intervene to prop up the dollar if its weakness starts to affect domestic financial markets. Until now, Wall Street has barely reacted to the currency's weakness. But a lack of confidence in the currency has affected the stock market before.

The dollar is most likely to gain, however, from new fears about the German economy which will put the D-Mark under question. Some analysts expect a slowdown in the German economy in the final quarter of this year, which may have the effect of leading the Bundesbank to ease German interest rates.

All these economic data are weapons in a battle between two groups of investors. On one side, they are saying that the dollar is cheap and a bargain buy. On the other, they believe the US economy is into a "triple-dip" recession and that the best thing to do is sell. Whichever is stronger will decide the currency's fate.



A president sidling towards staying on

John Barham weighs up Menem's chances of a second term in Argentina

ONE OF the strangest things about Mr Carlos Menem's presidency of Argentina is that, against all expectations, he has usually taken the right decisions. But Argentina is wondering whether he is now on a wrong path by trying to keep himself in office.

Today, he reaches the midpoint of his six-year term, apparently committed to change the country's constitution, which does not let a president succeed himself.

The current president is not the first to attempt this. All but one of Argentina's post-war civilian presidents tried to amend the constitution and succeed themselves. All failed, except the late Juan Perón, who was toppled in 1955 before the end of his second term.

Mr Menem and his courtiers, though, are convinced they can succeed. They must act quickly for, during the next three years, the government would have to convince two-thirds of Congress to call a constituent assembly, would have to fight an election campaign for that assembly, rewrite the constitution and then fight a presidential campaign.

The president has chosen an ambiguous strategy. He feigns disinterest by promising to return in 1995 to his home town of Anillaco to practise law. Meanwhile, his cronies campaign for his re-election.

The effort may be futile, however. There is little chance of convincing enough opposition Radicals and disaffected Peronists in Congress to form the two-thirds majority needed to convene a constituent assembly. Also, the party's chiefs are already beginning to fight among themselves for the presidential nomination.

There are also signs that public opinion is turning against the government. The stock market, which quintupled in value last year, has fallen from its peaks.

The business establishment – until now Mr Menem's most trustworthy ally – is making warning noises. Mr Roberto Alemann, a former economy minister and an establishment stalwart, warns that Mr Menem's need to buy political support would destroy economic stability. He likens the re-election movement to "burning a city to light a cigar."

Mr Menem is vulnerable to shifts in the nation's mood. He has never won unequivocal backing from any group, not even from the Peronists. His greatest political assets are a feel for public opinion and free-market policies that have reduced inflation to single figures and set off a consumer boom. But, if his personal authority is seriously damaged, financial markets and the wider economy might lose confidence. Business confidence is vital in a country shaken by 60 years of upheaval.

Mr Menem may yet take another course, by unambiguously rejecting a second consecutive mandate, and using the second half of his term to concentrate on deepening his reforms. This is what Mr Domingo Cavallo, economy minister and a possible presidential candidate, wants. He says: "If we carry out good government, I have no doubt that the people will want President Menem to continue."

Much remains to be done. The president needs to continue deregulating the economy, press ahead with privatisations and attract investment. To do that, he must foreswear reforming the constitution, stamp out cronyism and corruption, and reinforce the country's discredited institutions.

He must also deal with growing demands for social justice. Voters already take low inflation for granted and now want jobs, higher wages and better social services. But living standards are falling sharply, wealth is becoming more concentrated, and the economy is slowing. Data suggest investment is far from the levels needed to achieve the 6 per cent annual growth Mr Cavallo has promised.

The next three years are already full of challenges and dangers even without a bruising bid to remain in office. If Mr Menem contented himself with a single term and followed Mr Cavallo's advice, he would go down in history as the man who broke Argentina's 60-year tradition of economic upheaval and political unrest.

NEWS: AMERICA

Ottawa awaits Quebec reply on separatist issue

By Bernard Simon in Toronto

CANADIAN politicians are nervously awaiting Quebec's response to a package of far-reaching constitutional proposals designed to prevent the *francophone province breaking* away from the 125-year old federation.

The proposals were hammered out late on Tuesday by the leaders of the nine English-speaking provinces after almost two years' negotiation and public consultation. The federal government had threatened to force its own package through parliament in time for the national unity referendum which Quebec is due to hold by the end of October.

Quebec's attitude is unclear because its premier, Mr Robert Bourassa, has boycotted the talks in protest against the collapse in June 1990 of the Meech Lake constitutional accord.

Mr Bourassa and his cabinet met yesterday to consider their response. While they may not wholeheartedly endorse the latest proposals, they are unlikely to reject them outright. Mr Bourassa has said in the past that his preference is to remain part of Canada. Furthermore, separatist fervour in Quebec has abated since it was fuelled by the failure of Meech Lake.

There remains a risk that the latest agreement could unravel. A final text has yet to be made available for public scrutiny, and the package requires formal ratification by provincial legislatures. Mr Joe Clark, constitutional affairs minister, said that some parts "are going to be improved" in the weeks ahead.

The new package contains many of the provisions of the Meech Lake deal, such as a veto for Quebec over key *changes to the constitution* and a number of guaranteed seats for the francophone province on the Supreme Court.

But it also addresses the concerns of other provinces, aboriginal people and various interest groups. A key provision sought by the western and Atlantic provinces is the replacement of the appointed Senate, the upper house of parliament, by an elected body in which all 10 provinces will have equal representation. The Senate will have limited powers of veto over legislation passed by the House of Commons.

In return for giving up their dominance of the Senate, Ontario and Quebec, which between them account for over half Canada's population, would gain more seats in the House of Commons. Other elements of the package include a mechanism for phasing out pervasive non-tariff trade barriers between the provinces; wider provincial jurisdiction in areas such as immigration, worker training and culture; and moves towards an undefined form of self-government for aboriginal people.

Mr Clark said the federal government aims to convene a meeting of all provincial premiers, including Mr Bourassa, to sign the deal before Parliament reconvenes on July 15.

Suspects kidnap warning

CARIBBEAN countries have attacked last month's US Supreme Court decision allowing abduction of suspects for trial in the US, Canute James reports from Port of Spain.

At their annual summit in Trinidad this week, Caribbean Economic Community (Caricom) leaders said the ruling was "a violation of the most fundamental principles of international law". It should be condemned "unequivocally" by the international community, and all countries should conform with extradition treaties. Delegates said several Caribbean governments had been "angered" by the US ruling, but none had yet decided to discontinue co-operation with US law agencies on fighting drug trafficking.

Tsongas backing boosts Clinton

By George Graham in Washington

GOVERNOR Bill Clinton took another step towards uniting the Democratic party behind his run for the White House yesterday by winning the endorsement of Mr Paul Tsongas, who mounted the strongest challenge to him during this spring's primaries.

Mr Tsongas declined to endorse Mr Clinton immediately after he withdrew from the race, but was due to announce his endorsement in Boston yesterday after winning an opportunity to speak to the Democratic convention in New York next week.

"Bill Clinton won the nomination and I did not. Were I the victor I would expect him to endorse me," said the former Massachusetts senator.

Mr Clinton and Mr Tsongas often differed during the primary campaign. Mr Tsongas accused his opponent of "pandering" to voters with his call for a cut in taxes on middle income families. Mr Tsongas sought to convert the Democratic party to a more business-oriented economic policy.

Nevertheless, the Arkansas governor yesterday hinted that he might offer more than a speaking slot to Mr Tsongas, should he win the presidency.

Barely a month ago, segments of the Democratic party establishment were keeping Mr Clinton at arm's length, even though he had enough votes to win the nomination.

But the Clinton campaign has gradually brought together one-time critics, such as Governor Mario Cuomo of New York, who this week agreed to make the formal speech nominating his fellow governor at the convention.

Mr Clinton still has differences with Mr Jesse Jackson, whose demands posed many problems for Democratic nominees at the 1984 and 1988 conventions, or with Mr Jerry Brown, whose unconventional campaign won him more than 600 delegates and who wants Mr Clinton to accept his "humility agenda".

Big Apple aims to shrug off troubles

The Democrats will gather in a city partly rebounding from crisis, writes **Martin Dickson**


ON THE CHASE: Police pursue demonstrators in New York's Washington Heights district after widespread violence

NEW YORK, which prides itself on its ability to throw sensational parties, is gearing up for four days of self-celebration as it hosts the Democratic Party national convention next week.

But its civic leaders are also holding their collective breath and praying that the hoopla will not be marred by the kind of violence which shook upper Manhattan on Monday and Tuesday. Demonstrators rampaged through the mainly Hispanic Washington Heights neighbourhood – which is known for drug dealing – looting shops and burning buildings, in protest at the killing by police of a young man from the Dominican Republic.

With some 40,000 convention visitors about to descend on the city, including 15,000 representatives of the domestic and international news media, violence like this is the last thing New York needs.

For as the Democrats prepare to anoint Mr Bill Clinton as their presidential candidate, the city is hoping to use the convention to trumpet a message of its own: New York, which has spent two years grappling with financial crisis, is on the point of an economic and psychological rebound.

That is in stark contrast to just 12 months ago when the gloomiest pundits portrayed New York as a megalopolis in inexorable decline, beset by intractable budget problems, homelessness, violent crime and America's biggest caseload of Aids.

Mr David Dinkins, the city's first black mayor, was then facing a severe budget crisis, brought on by economic recession, and was widely accused of failing to tackle the problem with sufficient speed, vigour or leadership.

With the convention in mind, the Republican Party has been trying to capitalise on this image, seeking to link the problems of the solidly Democratic city with the national Democratic party's liberal agenda. Vice-president Dan Quayle has taken to visiting New York and taunting its leaders with remarks like: "Liberal economics may prevail here, but it sure doesn't work here."

However, over the past few months there has been a sharp change for the better in both the mood of the city and in Mr Dinkins's public standing. Even the crime statistics have shown a slight improvement. Broadway theatres have been enjoying the biggest collection of hits in years.

The recession which has ravaged the regional economy for the past two years is not over. Unemployment, at more than 11 per cent, is still way above the national average. The city is glutted with unused office space. But many analysts believe the economy has at least touched bottom and may now be recovering, albeit painfully slowly.

One concrete sign is that the city's budget crisis seems to be over. The Dinkins administration finished the fiscal year which has just ended with a budget surplus of more than \$500m, thanks to its conservative forecasts of likely revenue and a reining back of spending.

This enabled the mayor to withdraw plans for \$115m in new taxes and reach a remarkably early agreement with the city council on the budget for the current year.

Mr Dinkins still faces fiscal criticism: the Citizens' Budget Commission, an independent watchdog, this week accused him of having missed the opportunity for more fundamental reforms in the way the city is run, which would create a much smaller, more efficient, municipal workforce and a better structural balance in the budget.

The mayor has also been widely praised for the fact that New York was spared the violence which convulsed many other cities in the wake of April's Los Angeles riots. The mayor helped keep the political temperature down by working the phones to neighbourhood leaders, urging calm and dispelling rumours of impending trouble.

He has played the same role this week in Washington Heights, making two trips to the neighbourhood to appeal for calm. The rampage there this week was ugly but it was mild in comparison to the convulsions in Los Angeles.

All this has sharply improved Mr Dinkins's once dismal opinion poll ratings and his chances of winning re-election in 1993, when he is likely to face at least two strong challengers – the Republican Mr Rudolph Giuliani, who narrowly lost in 1989, and Mr Andrew Stein, the Democratic president of the city council.

It also means a reasonably upbeat tone for the Democratic convention, which will itself have a significant economic impact on the city.

In the short run, it will mean more spending in New York. Although the city is spending \$21m of its own money on convention preparations, it argues that the gathering will generate nearly \$500m in new economic activity.

However, Mr Ronald Shelp, president of the New York City Partnership, a group of business and civic leaders encouraging economic development, reckons "the more important impact will be psychological, both internally and externally."

The convention may boost New York's reputation as a place to do business, which was battered in the 1980s by its high labour and property costs. But city advocates point out that these costs have been ameliorated by recession and insist that New York remains the best US centre for international businesses, given its good communications links and cultural sophistication.

Algeria appoints prime minister

By Francis Ghiles in London and Agencies in Algiers

MR Belaid Abdessalam, who once swore to make Algeria "the Japan of Africa by the year 2000" was appointed the country's prime minister yesterday after the resignation of Mr Sid Ahmed Ghozali, who had held the post for only 13 months.

The change came 10 days after the assassination of Mr Mohamed Boudiaf, the head of state. Mr Ghozali said he was resigning primarily to allow Mr Ali Kafi, who replaced Mr Boudiaf, to appoint his own "strong government capable of eliminating the forces of evil which have not ceased seeking the destabilisation of the state to achieve power".

Mr Ghozali's tenure encompassed the cancellation of multi-party elections which the fundamentalist Islamic Salvation Front was set to win. The High State Council, the five-man presidency, said yesterday his government had carried out its task efficiently "in the harshest moments of Algeria's life".

However, he had become increasingly unpopular, and the lack of security around Mr Boudiaf when he was killed drew particularly fierce criticism from Algerians.

Mr Abdessalam's austere nationalism will appeal to many Algerians. As economic overlord from 1964 to 1978, Mr Abdessalam, aged 64, is also remembered for appointing people for their competence rather than their family and regional ties.

He has spent 13 years in the wilderness but foreign observers – and in particular Algeria's creditors – will be asking whether he has changed his interventionist economic spots sufficiently to help steer the troubled country through painful economic reform.

Mr Abdessalam was on the provisional executive of the National Liberation Front (FLN) at the time of independence in 1962. Together with then President Houari Boumediene he shaped Algeria's oil policy, nationalising foreign oil interests in the late 1960s and early 1970s. Such moves earned him the lasting antagonism of the French. He built up Sonatrach, the oil and gas monopoly, into a respected company where Algerian nationals were responsible for most decisions.

His policy of large-scale industrialisation was much less successful and many of the difficulties Algeria has faced in the past decade came from the over-ambitious industrial investment made in those years.

Mr Abdessalam was also a member of a regime which presided over a decrease in freedom as the 1970s went by. Few people dared speak out for fear of the security forces. Diplomats said yesterday that one of the challenges ahead was a decision on whether the trial of FIS leaders Mr Abassi Madani and Mr Ali Belhadj, on charges punishable by death, would go ahead next Sunday.

HK airport financing under fire

By Simon Holberton in Hong Kong

THE International Air Transport Association (Iata), the airline industry grouping, yesterday attacked the way Hong Kong planned to finance its multi-billion dollar airport project.

It asserted there were better ways to fund the scheme than trying to raise HK$4.3bn (£290m) between now and 1997 through a charge levied on airlines using the colony's current international airport.

On the eve of Mr Chris Patten's arrival today to assume the governorship of the colony, Mr Günter Eser, Iata's director-general, speaking in Hong Kong yesterday, called on the government to reconsider. He claimed plans to treble charges at Kai Tak, Hong Kong's existing international airport, were discriminatory.

He said the proposals were made because the government wanted to pay back loans on the airport too quickly and was demanding an unrealistic 15 per cent return on the airport investment.

Mr Eser said that to reduce the cost to users, the government could allow airlines to take equity in the airport or use alternative sources of finance to fund the project – such as Kai Tak's recurrent profits and the tax the government levies on departing visitors.

However, Mrs Anson Chan, a senior civil servant, said it was fair that those who benefited from the new airport should pay for it. If the airlines paid less taxpayers would have to pay more.

Iata argued that airlines should not pay until the airport came into use. It cited an International Civil Aviation Organisation recommendation that airport users should not be charged for facilities and services they do not use.

The government responded that the new airport represented an expansion of Hong Kong's international aviation facilities and that for any utility, prices for existing services rise as the construction of new capacity is embarked on. Officials pointed out that Kai Tak would close when the new airport at Chek Lap Kok opened.

In a related development, Wen Wei Po, a Beijing-funded daily, sought to put the blame for any delay in the airport's construction with Britain.

In a commentary on unsuccessful Sino-British talks held this week in Beijing it said it was unreasonable for the UK to ask China to accept a financial plan that was short of details and did not have a ceiling. "If there is any delay, Britain should be blamed for being too careless when drawing up the financial plan which is not in line with the memorandum of understanding," the newspaper said.

Vietnam accuses Chinese

By Yvonne Preston in Beijing

VIETNAM has accused China of landing troops on a reef of the disputed Spratly islands in the South China Sea and planting a territorial marker.

Vietnam's Beijing embassy confirmed reports of the landing, first published in the official Nhan Dan newspaper, and said Vietnam had lodged a formal protest. The protest note accused China of serious violation of Vietnamese sovereignty and demanded the marker be removed.

The Chinese Foreign Ministry declined to comment and there was no immediate independent confirmation of Vietnamese claims.

The Spratly island group consists of 33 islands and 400 islets and atolls, straddling shipping lanes in the South China Sea. Its considerable strategic value is complemented by rich fishing grounds and deposits of oil and gas.

Besides Vietnam and China, there are four other claimants to part or all of the disputed archipelago – the Philippines, Malaysia, Taiwan and Brunei.

Vietnam protested loudly in May when China gave oil prospecting rights between the Spratlys and the Vietnamese coast to a US company, fearing Beijing was, in effect, annexing the territory.

India plans fraud office on UK model

By Shiraz Sidhva in New Delhi

THE Indian government is planning to establish a "Special Bureau of Frauds," apparently modelled on Britain's Serious Fraud Office, to deal with scandals in banks and other financial institutions.

This was announced yesterday, on the first day of parliament's monsoon session, by Mr Manmohan Singh, the finance minister, who sought to calm agitated members of the opposition with assurance that the government would spare no efforts to investigate the Rs35bn (£636m) Bombay financial scandal, and punish the guilty.

Facing a no-confidence motion, to be debated on July 15 and 16, the government of Mr P V Narasimha Rao is also considering establishing a joint parliamentary committee to look into India's worst securities scandal.

While stressing that the frauds were "in no way due to financial liberalisation", Mr Singh said that on the contrary, "over-regulation of bank interest rates and an excessive pre-emption of bank resources into low-interest assets had contributed to some extent to bank managements, looking to non-traditional banking activity to bolster profits."

Mr Singh admitted for the first time since the scandal surfaced that "in retrospect, the Reserve Bank of India's supervisory functions were not as effective as they should have been". The opposition has been pressing for dismissal of central bank governor S. Venkitaramanan.

The finance minister acknowledged that "a serious failure of internal control systems" in the banks involved had allowed transactions "in flagrant and deliberate violation" of established rules and guidelines. To remedy this, Mr Singh said that his government was considering setting up "a high-powered supervisory board, with four to five full-time members, with the governor, Reserve Bank of India, as the chairman".

The board's advisory council with eminent persons from banking, auditing, law, economics and management, would co-ordinate the work of supervision of banks and financial agencies, and would include surprise inspections.

Mr Singh's announcements seemed to underline the government's confidence that no cabinet minister is involved in the scandal. Opposition leaders have been brandishing a list of names of six ministers they allege are involved in the scandal but have so far not substantiated their claims.

Meanwhile Standard Chartered Bank yesterday fired five senior officials for their alleged involvement in the Bombay scandal following an internal investigation.

Mr David Gardiner, acting chief executive of Standard Chartered India, regretted it had been found necessary to remove the officials, but said the bank was determined that those they felt accountable should pay the price.

Japan posts huge May trade surplus

By Steven Butler in Tokyo

JAPAN POSTED another huge increase in its current account surplus in May, with the broadest measure of Japan's external trade balance rising by 126 per cent to $9.49bn (£4.96bn) compared with a year ago.

The trade surplus alone, which excludes invisible items such as tourism, rose by 85 per cent to $10.09bn, putting Japan on course for a possible record trade surplus this year.

The steep rise in the trade balance resulted from a 4.6 per cent increase in exports to $24.8bn and a 19.4 per cent decline in imports to $14.7bn.

The sharp deterioration in imports will put increased pressure on the government to enact measures that will stimulate the economy and increase domestic demand.

Mr Kiichi Miyazawa, prime minister, has told his counterparts at the Munich economic summit that Japan is committed to a long-term programme to boost domestic demand, and is considering measures to increase government spending by between Y6,000bn (£25bn) and Y7,000bn in the autumn.

The government said the steep fall in imports was accounted for partly by a $1.2bn decline in purchases of gold for investment purposes. Exports were boosted by strong automobile and ship sales.

The trend towards a large trade surplus, however, was expected to continue because of the continuing weakness of the Japanese economy and the expected recovery in the US.

The recent rise in the value of the yen also boosts the value of exports while reducing the value of imports, although in the long run it should, in theory, stimulate imports while making Japanese goods less competitive internationally.

Japan was in May a net exporter of long-term capital, amounting to $1.89bn, for the second month in a row.

Shin Kenemaru, vice-president of Japan's Liberal Democrats, kicks off his party's campaign yesterday for upper house elections

Toyota sees sales recovery

By Steven Butler in Tokyo

TOYOTA Motor, Japan's largest car maker, yesterday said the Japanese automobile market had hit bottom and predicted increased sales in the months ahead as government measures to stimulate the economy took effect.

The prediction by one of Japan's largest industrial companies marks an important change in attitude that contrasts with the widespread gloom among Japanese manufacturers, who have been struck hard by the slowdown in the Japanese economy.

A recovery in automobile demand could mark a turning point for the economy as a whole, given the industry's size. Automobile sales led the economy down last year, along with housing, which has since shown signs of recovery.

The upbeat prediction came as Toyota revised its domestic sales projections for the calendar year downward by 4 per cent to 2.36m units, roughly the same as last year. The entire decline, however, came in the first half of the year, when sales fell by 4 per cent to 1.17m units. Toyota expects sales to rise by 5 per cent year-on-year in the second half of the year, to 1.9m units.

Mr Soichiro Toyoda, Toyota president, pointed out that industry-wide sales had increased year-on-year in June for the first time in 14 months.

Mr Toyoda's upbeat remarks came as Mr Yoshifumi Tsuji, president of Nissan Motor, said that Nissan was considering whether to slash its capital spending plans in the current fiscal year, which began in April, in response to poor sales. Sales of Nissan cars fell by 5.3 per cent to 288,232 units in the April-to-June quarter.

Nissan had budgeted Y240bn (£1bn) for capital spending this year, Y30bn below last year.

Meanwhile, Mr Yasushi Mieno, governor of the Bank of Japan, acknowledged that the clearing of excess inventories, which has depressed manufacturing activity, would take longer than originally expected. But he predicted, based on reports from branch managers of the central bank who met on Monday, that this process would be completed in the fourth quarter of the year.

Voters likely to give Miyazawa a rough passage

Ruling party faces uphill battle to make gains in elections to the upper house, Stefan Wagstyl reports

MR Kiichi Miyazawa, the Japanese prime minister, faces a tough time when he gets back to Tokyo from the Munich summit. He will start a gruelling round of electoral meetings in a national campaign for half the seats in the Diet's upper house. Yesterday was the official start of a two-week campaign leading to polling on July 26.

It will be Mr Miyazawa's first national election since he took office last November. The prime minister is closely identified with the issue which is expected to dominate the campaign – the newly-passed controversial law to allow Japanese troops to serve on United Nations peacekeeping forces.

Japan appears to be equally divided between those who support the law for its effort to increase Japan's role in international affairs, and those who are opposed because it might revive the role of the Japanese military. Mr Miyazawa said that Japan had to assume international responsibilities because the country's fate was common with the rest of the world's. He felt at the summit how much other countries expected of Japan, he said.

Mr Miyazawa will be under pressure to explain his plans to boost the economy, which is suffering its most serious slowdown since the oil shocks of the 1970s. Leaders of the ruling Liberal Democratic party have proposed a public spending increase of Y6,000bn (£25bn) to Y7,000bn but the plan has yet to be adopted by the government. Voters are also angry about repeated involvement of politicians in financial scandals.

Half the seats in the upper house are contested every three years. The ruling party, which has controlled the Diet's lower house since the 1950s, lost its majority in the upper house in the last election in 1989 at the height of the Recruit bribery scandal. It stands little chance of recovering that majority because it is defending seats last contested in 1986, at the peak of the popularity of Mr Yasuhiro Nakasone, former prime minister.

The LDP is defending 75 of the 127 seats at stake. Party officials believe they might secure 64, although analysts think it could be below 60. Either way, the party will need to rely on centrist parties to secure passage of bills through the upper house.

Until now, the ruling party with 114 seats and the Komei party, its chief ally, which has 20 seats, have managed a majority of 134 in the 252-seat upper house.

The loss of just 10 LDP seats would rob the allies of their majority and force the LDP to seek other partners, such as the small Democratic Socialist party, which has co-operated before with the ruling party. But the LDP's clout in inter-party negotiations declines as it loses seats.

Fortunately for the ruling party, the main opposition Social Democratic party has annoyed voters for attempts to filibuster the peacekeeping forces bill. The ox-walk, a slow-voting technique, was widely seen as a waste of time and of taxpayers' money.

The Japanese often use upper house elections to lodge protest votes, so support could swing to smaller opposition parties, including Rengo no kai, a party sponsored by Japan's trade union confederation, with 22 candidates, and the New Japan party, which is contesting 16 seats.

The New Japan party was founded this year by Mr Morihiro Hosokawa, a former LDP member and prefectural governor. Mr Hosokawa, revelling in his image as political renegade, is campaigning on a ticket of radical political reform. He is courting publicity by naming some high-profile candidates including Mr Yoshi Terasawa, former chief of the New York office of Nomura Securities, the broking company.

Of the 127 seats being contested, 77 are decided in 47 prefectural districts where voters choose candidates by name. The remaining 50 are allotted by means of proportional representation, where voters cast ballots by party.

With 38 parties fielding candidates, voters are spoilt for choice. Those disinclined to vote for the main parties can opt instead for the UFO (Unidentified Flying Object) party and the health-conscious Vinegar-Loving party.

Leaders seek end to Gaza infighting

By Hugh Carnegy in Jerusalem

SENIOR Palestinian leaders in the Israeli-occupied territories yesterday struggled to defuse the most serious dispute to date between Islamic fundamentalists and the Palestine Liberation Organisation in Gaza.

The row erupted on Tuesday night into gun battles and street fights in which a teenager died and 50 people were wounded.

The unprecedented fighting, which followed a period of growing internal tensions in the densely populated strip, was between the so-called military wings of Hamas, a popular Moslem fundamentalist group, and Fatah, the mainstream PLO faction headed by Mr Yassir Arafat, the organisation's chairman.

Young Fatah and Hamas activists have jostled for supremacy in Gaza's refugee camps and towns for several years. But the sharp escalation of their rivalry may have wider implications as Palestinians prepare for peace talks with the new government led by Mr Yitzhak Rabin.

Hamas, which is estimated to have the support of about 40 per cent of Gazans, opposes the peace talks and is particularly hostile to accepting an interim settlement based on limited Palestinian autonomy as outlined by Mr Rabin. Most in the PLO, including Fatah, have accepted the proposals in principle, but now face the task of making a deal acceptable to the Palestinian public.

Yesterday, Dr Haidar Abdel-Shafi, the Gaza-based head of the Palestinian peace talks negotiating team, met Hamas leaders in an attempt to bring the latest fighting under control. But Hamas activists are determined not to have their voice suppressed.

● The European Community yesterday handed over $35m (£18.3m) to aid the building of homes for Palestinians in the West Bank and Gaza.

LEBANON PLANS RETURN HOME FOR 350,000 REFUGEES

THE Lebanese government plans to move more than 350,000 citizens displaced by the 1975-1990 civil war to their pre-war homes, writes Lara Marlowe in Beirut.

The proposal seeks to defuse Christian opposition to the holding of parliamentary elections before a scheduled Syrian redeployment to eastern Lebanon in September. The first relocations should begin within two weeks. They involve Maronite Christians from more than 80 villages in the predominantly Druze Chouf mountains and the region east of Sidon.

Maronites have objected to the elections on the grounds that free elections cannot be held while foreign troops are still present in Lebanon, and that the failure to return displaced people would weigh against the Christians in the poll.

People's right to return to their homes was recognised in the October 1989 peace accords, but the government has been slow to spread its authority.

The government now promises to provide Lebanese army protection for returnees. Mr Elie Hobeika, the minister for displaced persons, is best known as the man the Israelis claimed led the Phalangist militia when it massacred hundreds of Palestinians at the Sabra and Chatila refugee camps in 1982. He is now responsible for establishing co-ordinating committees in the villages to be repopulated.

The government has not said how it will finance the operation, or what will happen to those who have moved into the homes of the displaced. The director-general of the Ministry of Housing recently estimated the cost of rebuilding nearly 87,000 destroyed homes at more than $750m (£393m) and said another $1.6bn would be needed for new housing.

West faced with political minefield over Kurds

By John Murray Brown in Ankara

THIS week's call by Mr Bernard Kouchner, France's minister of humanitarian affairs, for the United Nations to lift trade sanctions on the Kurdish-controlled areas of north Iraq raises questions about the western commitment to the Kurds.

Baghdad has refused to renew the UN aid memorandum forced on President Saddam Hussein last year to allow UN agencies to operate in the country. The Iraqis have also yet to agree to implement UN Resolution 706, under which Iraqi oil receipts were to finance medical and other aid purchases under UN supervision – all of which puts the future of western relief effort for the Kurds in doubt.

The situation poses practical as well as legal and financial challenges for the aid organisations and allied governments wishing to support the Kurds.

The impasse is of particular concern for Turkey, key regional player in the Kurdish relief operation.

The Turkish parliament last month gave approval for allied aircraft based in southern Turkey to continue to provide air cover for the Kurds for a further six months. But Ankara is worried about the evolution of a *de facto* Kurdish state in north Iraq. The foreign ministry argues that the recent Kurdish elections represent a dangerous step in that direction, despite Kurdish assurances.

Turkey is none the less aware that without the help of western aid agencies and with President Saddam continuing to put the area under military and economic pressure, Turkey could face a repeat of last year's refugee exodus.

The World Food Programme still conducts food distribution, much of which is being ferried from Turkey. The UK's Save the Children Fund is continuing a reconstruction project in an area close enough to the Iranian border to allow for a quick withdrawal if security deteriorates, but many agencies are already considering pulling out, reluctant to continue a cross-border operation from Turkey if Baghdad does not give at least tacit support.

A nine-month economic blockade of the region already hampers essential services and supplies, particularly of fuel oil, which aid agencies now bring in from Turkey.

Mr Kouchner proposes that the UN should conduct its own cross-border operation. However, diplomats say this would create a legal and political minefield.

Such a move would amount to implicit recognition of the separate status of the Kurdish region, something France and the other Security Council members were keen to avoid when drafting the original UN resolutions to protect the Kurds.

Deal possible with Marcos

THE Philippine government may drop its civil cases against former first lady Mrs Imelda Marcos, if she agrees to surrender part of her late husband's wealth, a senior official said yesterday, Reuter reports from Manila.

The head of a government panel trying to recover the funds said Mrs Marcos had agreed to such an arrangement in principle and talks on a settlement could begin in Manila next week. However, he suggested that there were no plans to drop the criminal cases against Mrs Marcos.

Rockwell to set up Czech parts venture

By John Griffiths

ROCKWELL International, the US automotive, electronics and *aerospace multinational, is to* set up a joint venture in Czechoslovakia to supply components to the country's rapidly developing vehicle industry.

The venture is the first in eastern Europe for the $12bn-a-year turnover Rockwell group. However, it is now exploring investment potential throughout the region, and is planning a significant presence at the first international Moscow motor show this year.

Volkswagen, through its equity holding and management control of Skoda, is expected to be the leading customer for the Czech venture, in which an initial $11m is being invested.

However, Rockwell said yesterday it is expected that the venture will supply other vehicle makers in Czechoslovakia and export markets.

The agreement, reached with the Ministry of Privatisation of the Czech Republic, provides for Rockwell to assume control and majority ownership of manufacturing facilities at Liberec, 120km north-east of *Prague.*

The venture, to be known as Rockwell Automotive Body Systems – Liberec, initially will develop, manufacture and market window regulators, seat slides and other body components. Its products and manufacturing programmes will be integrated into Rockwell's global Automotive Body Systems division.

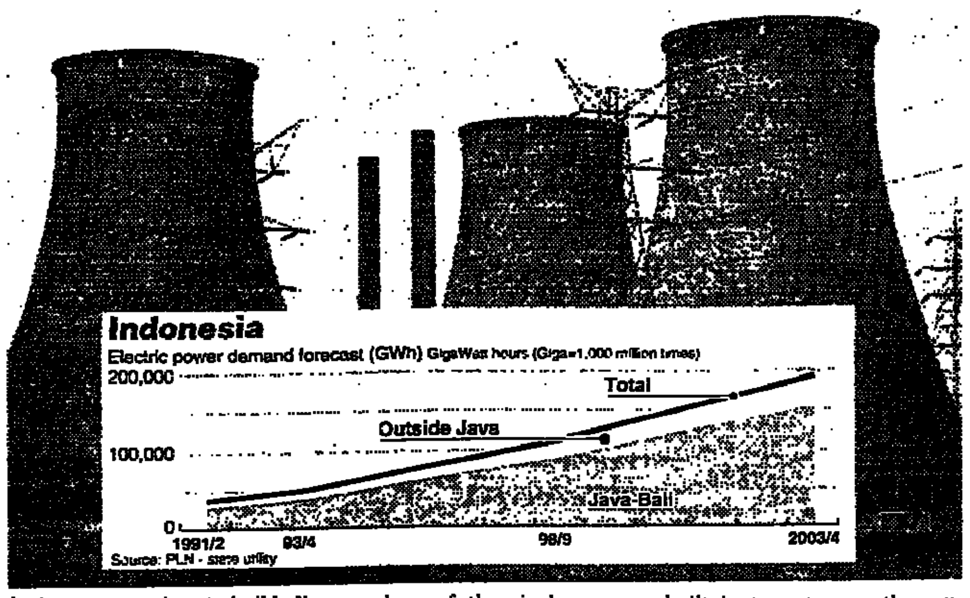
In Europe alone, these operations employ 4,300 people at plants in France, Germany, Italy, Spain and the UK, with sales last year of $580m.

Rockwell said yesterday extensive training programmes would be introduced at Liberec to bring the plant up to "world class" manufacturing standards.

The deal comes as Rockwell and other large components groups are preparing for a big expansion in the value and complexity of the vehicle body systems they supply to vehicle assemblers.

Private surge in Indonesian power sector

Jakarta opens to foreign capital, but experts warn contracts taking too long, writes **William Keeling**



INDONESIA has taken the first steps towards private participation in its power sector. But industry experts say negotiations on new projects will need to be speeded up if the country is to avert an electricity crisis.

The state utility PLN has more than doubled installed capacity in the past decade to more than 9,000MW. Demand, however, is growing at 10 per cent a year, and the government plans to double capacity again within eight years.

To meet the target, about $30bn of investment is required by the year 2000. Neither the government nor donors such as the World Bank and the Asian Development Bank can fully fund the programme.

The government is looking for up to a third of the investment to come from the private sector and, under advice from the donors, is set to break PLN's monopoly over power generation for the national grid.

The government this year ended a protracted period of negotiations with foreign companies by asking Mission Energy of the US to lead a consortium to build, own and operate a 2,400MW coal-fired Paiton project in East Java.

In 1990, as the first step toward private participation, the government offered four 600MW units at the Paiton complex. Companies owning the units would get a return on their investment under a tariff structure agreed with PLN for the supply of electricity.

At first the government invited private proposals for two of the units, and a short-lived consortium of Hopewell Group of Hong Kong and the Bimantara Group, led by President Suharto's second son, first studied the project in 1990.

Hopewell pulled out and Bimantara switched allegiance to Intercontinental Electric Inc (IEI) of the US which, Indonesian government officials say, received a $500,000 grant from the US government towards a feasibility study.

A second consortium was formed, led by Mission Energy and including Mitsui of Japan, General Electric of the US and Batu Hitam Perkasa, an Indonesian coal mining company led by Mr Hashim Djojohadikusomo.

The consortia made preliminary proposals last September for construction of the two units at a cost of up to $2.5bn.

Then, in mid-October, the government unexpectedly awarded IEI an exclusive right to continue negotiations.

The decision triggered alarm among some donors who said that the government had failed to evaluate fully the two proposals. In a recent report on Indonesia, the World Bank said that the key issues raised by the project have been "allowing adequate competition in bidding; putting in place transparent procedures for bid evaluation; applying sound principles in bid selection."

By December, the government, under pressure from the donors, had compromised and informed Mission Energy that it should prepare a proposal for the remaining two 600MW units.

Industry officials, however, said that the prospect of the complex having different designs, suppliers and operators threatened to undermine its viability. "The project is too large, and, with all the politics, everyone wants a piece," complained an executive of one company involved in the project.

The government changed its mind again in May. In a meeting with IEI and Mission Energy, it said that it wanted just one consortium to build all four units and expressed a clear preference for Mission Energy.

While both consortia were hopeful of raising the required finance, the government said that Mission Energy had a superior technical proposal and that the consortium members were better able to provide equity. The cost of Mission Energy's proposal per pair of units is estimated at about $1.8bn.

The government has suggested that Mission Energy might take on board some members of the rival consortium, including suppliers such as Westinghouse and Mitsubishi Heavy Industries. Government officials say that Bimantara is negotiating with Batu Hitam Perkasa and is asking for up to a 10 per cent equity stake in the project.

Finalising the consortium might entail vexed negotiations and additional suppliers will require a new design for the plant. As one government official noted, the project "cannot accommodate all these firms. It's just too crowded."

The complex is still to be built in two stages – the consortium will have a first option on the second stage – and detailed discussions are expected to begin in August, with the contract to be signed by April. Much depends on the government finalising conditions such as the tax regime under which the plant will operate.

While the length and manner of negotiations have shaken the confidence of the private sector, this could be restored if the deal is quickly concluded and the first stage is completed as planned by 1997.

Move over Trabbies, here comes the Jag

By John Griffiths

JAGUAR is taking the first steps to set up distribution and sales networks for its luxury cars in eastern Europe.

It expects initial sales to be small, but is anxious to establish a foothold in the region in the expectation of significant future growth. The company also indicated that it was wary of growing Japanese manufacturers' interest in the area.

In twin moves announced yesterday, Jaguar has appointed a distributor in Poland and is setting up its first service dealership in east Germany. It is also assessing how best to establish a presence in two other key east European countries, Czechoslovakia and Hungary.

Jaguars are to be imported and sold in Poland by Jaguar Poland, a subsidiary set up by Overseas Marketing Corporation, a London-based independent Anglo-Polish trading company which already has extensive experience of vehicle retailing in eastern Europe, including that of cars produced by Ford, Jaguar's parent.

Initially, it is to have premises in Warsaw, which are expected to become operational within the next three months. First year sales are expected to be only 20 to 25 cars.

However, "it is important that we quickly establish a presence in these markets", Mr Roger Puttnam, sales and marketing director, said. "They will undoubtedly grow in the future and as their economies expand so will the demand for luxury cars."

Jaguar's service dealership is located at Freital, near Dresden, and is the first of five sales and service outlets planned to be operational within the next 12 to 18 months.

Unlike the Polish operation, they are to be set up and controlled by a wholly-owned Jaguar subsidiary, Jaguar Deutschland.

Tough US trade bill passed by House

By Matthew Kaminski and Nancy Dunne in Washington

THE House of Representatives yesterday passed a Democratic-backed trade bill which would resurrect for five years "Super 301" – a provision aimed mainly at Japan – and make a controversial change in US anti-dumping law.

Super 301 requires the Administration to negotiate away foreign trade barriers or retaliate against closed markets with US sanctions. The bill also caps Japanese car imports at 1.65m vehicles and imposes a 70 per cent domestic content requirement on cars produced by Japanese subsidiaries in the US.

The anti-dumping provision would close a loophole in the 1988 trade law which allows foreign companies to avoid anti-dumping duties by setting up "phantom" factories in the US. These assembly operations import all their parts from third countries which are not covered by the anti-dumping order. The bill would give the US Commerce Department added authority to judge whether a company is evading anti-dumping duties by considering "actual and potential" threats to US industries.

Congressman Don Sunquist, a Tennessee Republican, yesterday said the provision "attacks nearly every US-based manufacturing plant owned by a foreign company." It would target a plant in his district, owned by Brother Industries of Japan, which has been engaged in a long-running feud with Smith Corona.

Mr Lee Thompson, Smith Corona's chairman, charges Brother with establishing the low-wage, low-skill assembly plant expressly to circumvent the 60 per cent duty. Its parts are imported from Singapore and Malaysia.

Brother admits it swallows losses to keep market share (a tacit admission of dumping, argues Smith Corona).

Norsk bid to escape dumping duties

By Karen Fossli in Oslo

NORSK HYDRO, Norway's largest public company, has reached an agreement with the US Department of Commerce in an attempt to avert the threat of anti-dumping duties on exports of magnesium from Canada to the US.

The duties – a 21.61 per cent countervailing duty and 31.33 per cent anti-dumping duty – would be imposed by the International Trade Commission (ITC) if it found that Norsk Hydro's Canadian magnesium production had been subsidised and that the company had sold production from Canada in the US at dumping prices.

However, Mr Per Erik Bjoerklund, of Norsk Hydro, said yesterday the Commerce Department had now accepted Norsk's offer to renegotiate power supply contracts with Hydro Quebec and to repay an estimated C$20m of provincial investment funds which it received from the governments of Canada and Quebec to establish the plant.

"The fact that we have renegotiated our power contracts and are willing to repay investment funds does not mean we admit to the department's allegations but that we are willing to solve the issue in order to have the charges dropped," Mr Bjoerklund said.

The agreement between Norsk Hydro and the department has not yet been signed, however, which means that US customs will require a deposit from Norsk Hydro equal to the proposed anti-dumping and countervailing duties if it exports Canadian magnesium to the US until the ITC ruling on August 19.

Since the charges were made last autumn, Norsk Hydro has reduced production to half the Canadian plant's 45,000-tonne-a-year capacity.

The Commerce Department cleared Norsk of allegations of dumping magnesium from Norway in the US.

UK threat to European green laws

By Bronwen Maddox

ENVIRONMENTAL legislation passed by the European Community could be repealed during Britain's presidency of the EC, Mr Michael Howard, Secretary of State for the environment said yesterday.

Some environmental matters are "better dealt with at national level" said Mr Howard, adding that the UK government would pursue vigorously the principle of subsidiarity - devolving regulation back from the EC to national governments where possible.

"The EC's Environment Council has become something of a sausage machine" Mr Howard said, referring to the ambitious programme of directives passed in the last ten years, much of which was never successfully enforced.

He added that the UK presidency would stress "the need to put promises into practice".

His remarks provoked intense criticism from opposition ministers and environmental groups, who retaliated that Britain has failed so far to meet EC environmental standards on drinking water and clean beaches.

"Michael Howard's remarks are frightening" said Mrs Ann Taylor, Labour party opposition spokesman on the environment. "We think he is paving the way for a UK optout on EC environmental legislation. His remarks call into question this government's commitment to meet EC drinking water standards and clean beach regulations" she added.

Friends of the Earth, the environmental lobby group, said yesterday that "Howard's remarks are undoubtedly a lowering of environmental protection standards".

Mr Howard declined to comment on which legislation might be considered for repeal. However he said "application of the principle of subsidiarity does not mean a weakening of our vigorous pursuit of environmental objectives".

Launching the government's plans for the UK presidency of the EC's Environment Council yesterday, he said that its priorities included regulation on movements of waste, and national targets for carbon dioxide emissions.

The council was also contemplating bringing forward the directive on the phasing-out of ozone-depleting substances by one year to the end of 1994.

One of the UK government's aims was the "greening of all aspects of Community policy" he said, including agriculture, transport and energy. "We hope to introduce environmental objectives into the fisheries policy - and they're not there yet" he said.

The Environment Council, made up of the environment ministers from EC countries, will meet in September to consider how to put into practice the commitments signed last month at the United Nations Earth Summit in Rio.

Meanwhile, Mrs Gillian Shephard, the employment secretary, said the UK would like to see a change in emphasis in the use of EC social funds, away from helping dying industries and more towards helping the unemployed get back into work.

Mrs Shephard, who chairs the EC's Social Affairs Council, said: "We object to the social fund being used to prop up dying industries. We want a real focus on helping unemployed people." Mrs Shephard picked out assistance to the coal and steel industries of Northern France for criticism.

During her presidency Mrs Shephard said she would be doing a stock take of initiatives for the unemployed. She said she would not want to be prescriptive but there might be parts of some members schemes that could be helpful to others.

Mrs Shephard, who will put forward proposals to the Council of Employment and Social Affairs Ministers, said she did not want just to look at legislative areas. She said there could be a danger of putting too much emphasis on directives as such.

Sir John Cuckney: chairman of pensioners' trust fund

Maxwell pensioners' fund set to win boost

By Andrew Jack

THE TRUST fund set up by the government to help plug holes in the pension funds plundered by the late Mr Robert Maxwell is about to receive fresh donations. Sir *John Cuckney*, its chairman, said yesterday.

Sir John hinted that a new campaign to raise funds for the Maxwell pensioners trust fund would be launched within the next few days, using advertisements and letters to solicit contributions.

He said the trust had already been approached by a number of individuals and "financial institutions totally unconnected with the Maxwell affair" willing to make donations. He would not be drawn on the amounts involved or when the money would be received.

The trust – which was announced in parliament by Mr Peter Lilley, secretary of state for social security, on June 7 as part of the Maxwell pensions unit – has so far only received a donation of £120,000 from the National Association of Pension Funds.

The unit has a provisional budget for the first year of £1m, which represents the Department of Social Security's entire contingency fund, and is staffed by a team of 20 civil servants from the DSS, headed by an under-secretary from the Department of the Environment. It also has £2.5m in emergency fund provided by the DSS, which it has begun to distribute.

Speaking from the unit's office in the Georgian buildings of the Royal Fine Arts Commission in St James's Square in London, Sir John, the retiring chairman of 3i, the venture capital group, called on City institutions to contribute to the trust, which he said would require "tens of millions of pounds" to make good "a remarkable bit of pillaging".

He stressed that donations would not imply any culpability or liability, and would be motivated by a desire to "help restore and consolidate the good name of the pensions industry and the financial services area. In the end, the most interesting thing will be seeing those companies which choose not to contribute," he said.

Sir John said most of the money received by the trust would be given the Maxwell pension fund trustees, but that there could also be "individual ex gratia payments to pensioners outside the schemes".

Most top directors lack global skills says survey

By Paul Taylor

MOST DIRECTORS of Britain's biggest companies have neither the language skills nor the overseas work experience to face the challenge of international competition and global markets, according to a survey published today.

The latest Board of Directors Study by Korn-Ferry International, the executive search firm, says fewer than one in five boardroom directors of leading British companies speaks a foreign language and two-thirds have no experience of working abroad.

Of the 581 directors of 179 UK listed companies surveyed, 84 per cent speak no foreign language, while 14 per cent speak one and 2 per cent speak three or more. The proportion of directors with language skills was no higher among companies which generated over half their business overseas last year.

Questionnaires were sent to the 335 UK companies in the Times European 1,000 list and the next 500 largest British companies.

Mr Michael Brandon, a Korn-Ferry International director and author of the study, said: "Unless British boards take rapid steps to acquire the necessary international skills and experience, UK Ltd is in danger of becoming a foreign subsidiary. The findings of this study sound an alarm bell which must be heeded in the boardrooms of Britain."

The survey indicates that the geographical focus of UK-owned companies is shifting towards western Europe, and that most British companies expect closer European integration to be beneficial.

The study also examines the composition of the British boardroom.

Only 11 of the 581 directors were women and no company had more than one woman on the board. Eight of the 11 were non-executives.

Some three-quarters of UK companies have separate chairmen and chief executives. Although in a quarter of these companies the chairman is a full-time executive who plays a leading role, there is still an overall majority – 55 per cent – which had chairmen who were either part time or non-executive, or full-time but not playing the leading role in the organisation.

Just under 60 per cent of the top executives of the largest companies with turnover of £1bn or more have university degrees while roughly one in five is a qualified accountant.

Government warned of flaws in forecasts

By Peter Marsh,
Economics Staff

THE TREASURY has been told to treat all forecasts about the UK economy in the next few years – including its own – with caution.

These projections are likely to be deeply flawed because of a lack of knowledge about how the economy works, and in particular those aspects linked to financial deregulation, according to preliminary results from a study financed by the Treasury.

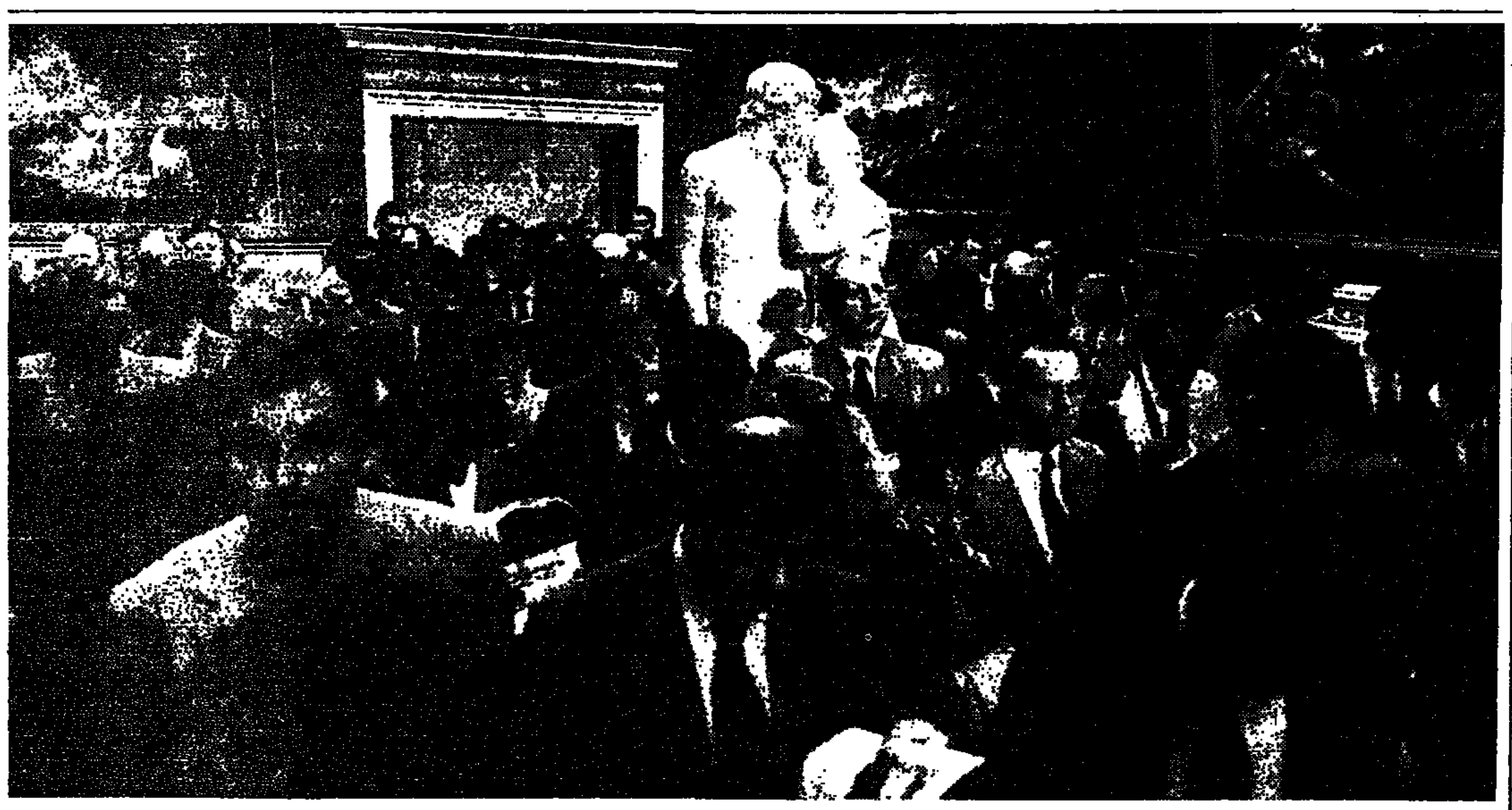
The analysis by the independent National Institute for Economic and Social Research is a painful rebuke for most economic forecasters and raises awkward questions for Mr Norman Lamont, chancellor of the exchequer, as he struggles to end the recession.

The analysis was sponsored by the Treasury to gain better insights into inadequacies in its own forecasting methods. It said government economists failed to foresee the extent both of the 1986-88 boom and of the current recession.

In the most authoritative study yet into these failings, Mr Andrew Britton and Mr Nigel Pain of the institute say the Treasury and most outside forecasters were inaccurate.

The report clears government statisticians – who have been blamed for some of the Treasury's recent forecasting errors on the grounds that they failed to measure the economy properly – of any substantial blame for the inaccurate projections.

Looking at specific forecasters, the institute says economists at Shearson Lehman Brothers, the US investment group, were "perhaps the quickest to pick up the trends within the economy".



Art lovers: Bidders crowd into Sotheby's yesterday where Rembrandt's portrait of Johannes Uyttenbogaert was sold for £3.8m, confounding expectations that it might not achieve its estimate in a depressed market. The painting was bought by Dr Alfred Bader, a US-based collector of Dutch 17th century paintings. The auction house, meanwhile, announced that an overseas purchaser who applied for an export licence immediately after the auction would not be obliged to pay the purchase price until after the licence was granted - or in six months if that were sooner. The statue in the centre of the room is Canova's Venus and Adonis – a permanent fixture

Britain in brief

Agreement clears way for Ulster talks

Northern Ireland's political leaders have agreed to continue face-to-face talks with the British and Irish governments over the future of the province.

Negotiations have been suspended until next Wednesday, partly so that the Irish ministers can attend to other duties, and partly not to clash with traditional Orange Day marches, when protestants celebrate their 1690 victory over catholic forces.

In Northern Ireland terms, the province's politics have taken an important step forward this week with all shades of Unionist opinion represented in talks with the Irish government for the first time in 70 years. But meetings *appear to have* been dogged by disputes over leaks of participants' position papers.

New targets to cut disease

The government has unveiled plans to set and monitor targets to reduce the toll of killer diseases and improve overall health standards.

Mrs Virginia Bottomley, health secretary, said the proposals, contained in a white paper, marked the "next logical step in the process of health reform". Targets for improvements will operate in five areas – coronary heart disease and strokes; cancers; mental illness; sexual health and accidents.

Editorial Comment, Page 12

Advice sought on MPs' pay

The extension of performance pay for government officials is forcing the government to turn to legal advice to try to avoid a political row about MPs' salaries.

The difficulty arises from the linkage between an MP's salary – currently £30,850 – and a point on the salary scale for senior civil servants. Under new pay arrangements, which the government is still discussing with unions, that scale disappears.

While the government could easily find a broadly equivalent linkage point under the new arrangements, the problem for ministers is that any change would require a Commons debate and a decision by MPs. On previous such occasions MPs have refused to accept government advice about the need for modest rises only.

Fruit of the Loom expands

Fruit of the Loom, the US leisurewear company, has announced plans to expand its Londonderry base and recruit 400 workers in Northern Ireland. A £38m investment in new manufacturing facilities will increase the workforce from 500 to 909 over the next five years.

The new investment programme has been assisted by the government's Industrial Development Board.

Competition policy abused

Current competition policy fails to deter business from adopting or considering anti-competitive behaviour, according to the former senior economics adviser to the Monopolies and Mergers Commission.

Writing in the Consumers' Association's Consumer Policy Review, Mr Robin Aaronson says most UK companies look at competition policy in the wrong way and do not plan rationally around the constraints it imposes.

Mr Aaronson says the proliferation of competition authorities in the UK also causes confusion and the separation of jurisdiction between Brussels and London is not as clear as hoped.

Maxwell wins court order

Mr Kevin Maxwell, faced with an income tax demand which he says he is unable to meet, was yesterday granted an interim High Court order which temporarily stops creditors bringing civil proceedings against him.

At a private hearing before a Chancery Court registrar, Mr Maxwell won an order under Section 252 of the 1986 Insolvency Act allowing him time to seek an "individual voluntary arrangement" with his creditors.

Union urged to aid Romania

The government is encouraging the AEEU engineering and electrical union to provide know-how to the nascent free trade unions of Romania.

The Foreign Office's "know-how fund" has paid the expenses of Mr Nigel Harris, an AEEU executive councillor, for an exploratory visit to the former communist country. It has also agreed in principle to a two-week visit by eight of the unions' officials.

Mr Harris said that in Romania he and his colleagues would aim to show how unions could operate in a market economy with a multi-party political system.

Ban lifted on cricketers

Cricketer Mike Gatting could tour with England this winter after the ban on his international Test career was lifted.

The former England captain and 15 other English cricketers were banned for five years in 1990 following a rebel tour to South Africa when sporting sanctions were in force against the republic.

But the International Cricket Council has voted unanimously to lift the bans from October.

The decision follows the five day test match between England and Pakistan, which ended in a draw.

Bank criticised over role in supervision of BCCI

By Robert Peston, Ralph Atkins and Andrew Jack

THE Bank of England came under fire yesterday from a senior Conservative MP for failing to respond properly to parliamentary criticisms of its supervision of the Bank of Credit and Commerce International (BCCI).

The Bank yesterday conceded – in its formal response to report by the the cross-party Treasury select committee's report – that some reforms to the system of policing banks were needed, in the wake of BCCI's closure, although it defended the behaviour of its officials in respect of BCCI.

Mr Terence Higgins, Tory chairman of the committee in the last Parliament, complained that the Bank's response did not "cover any of the criticisms made." The Bank was still not taking "as tough a line for the future as the committee proposed," he added. The committee published its report four months ago.

Yesterday's response from the Bank shows it has had a change of heart on the controversial issue of whether an auditor to a bank should have a "right" or a "duty" to inform the Bank of England when it fears that there is malpractice at the bank.

When Mr Robin Leigh-Pemberton, the Bank's Governor, made his submission to the select committee last year, he said current law, which gives auditors a right to report to the Bank, was adequate.

The Bank, however, has subsequently reviewed its position and now feels auditors should be obliged to make such reports. This is a controversial question because of the duty of confidentiality owed by an auditor to its client.

Any amendment to the Banking Act in this respect would need to be carefully drafted to avoid a flood of reports from auditors, the bank added.

Professional auditors responded positively to the Bank of England's suggestions yesterday, while stressing they would need additional protection if they were to take on an enhanced whistle-blowing role.

Mr Bill Morrison, chairman of the Auditing Practices Board, said: "I think if it was accompanied by a clarification of how auditors are protected by privilege from breach of confidentiality, it is something people would be prepared to consider."

Mr Howard Brown, head of banking and financial services at Ernst & Young, said: "It seems entirely appropriate. But one needs to be clear about having the protection of the law. Clearly it is a difficult area." The Bank, meanwhile, also said it wanted new powers - from a separate Banking Act amendment – to shut down a bank "on the sole ground that an applicant authorised bank cannot be effectively supervised".

The Bank wants considerable latitude in the criteria for making a judgment that a bank is impossible to supervise properly. It is asking for greater powers than those demanded by its participation earlier this week in an international agreement on co-operation between bank regulators of the G10 leading industrial countries grouped in the Basle Committee.

As implied by the Basle agreement, it wants to be able to close a bank if that bank's domicile is in a country where the regulator lacks the expertise or resources to take the lead role in supervising all of that bank's worldwide operations.

But the Bank also wants to be able to refuse authorisation to a bank if its sets up branches in countries lacking an effective supervisor. This goes far further than Basle agreement.

If the nature of a bank's business changes – even though its ownership structure is unaltered – the Bank also wants the right to withdraw authorisation.

Court delays approval of payments

By Andrew Hill
in Luxembourg

FORMAL approval of the proposed one-off payments to creditors of the Band of Credit and Commerce International should be delayed until the creditors have been consulted, Luxembourg's state prosecutor said yesterday.

The Luxembourg court must approve the provisional agreement – worked out by the bank's liquidators and its majority shareholder, the Abu Dhabi government – before it can be implemented.

If the formal decision is delayed it could prolong the dispute between disgruntled independent creditors and the Abu Dhabi authorities over the terms of the deal. The judge, Mrs Maryse Welter, will deliver her ruling on July 20.

The provisional settlement would involve a payment of between \$1.2bn and \$1.7bn to creditors and has already been approved by courts in Britain and the Cayman Islands. But Luxembourg, where BCCI had its brass-plate headquarters, has the final word.

BCCI's liquidators revealed during yesterday's hearing that Abu Dhabi was limiting their access to more than 60,000 documents relating to the bank, including dossiers on audits, loans and shareholdings.

Regional figures suggest East Anglia offers best living conditions in UK

Good life full of eastern promise

By John Willman,
Public Policy Editor

EAST ANGLIA, the rural and underpopulated eastern corner of England, appears to be the place for young families to live, with the lowest crime and unemployment rates in the country and also some of the best childcare provision.

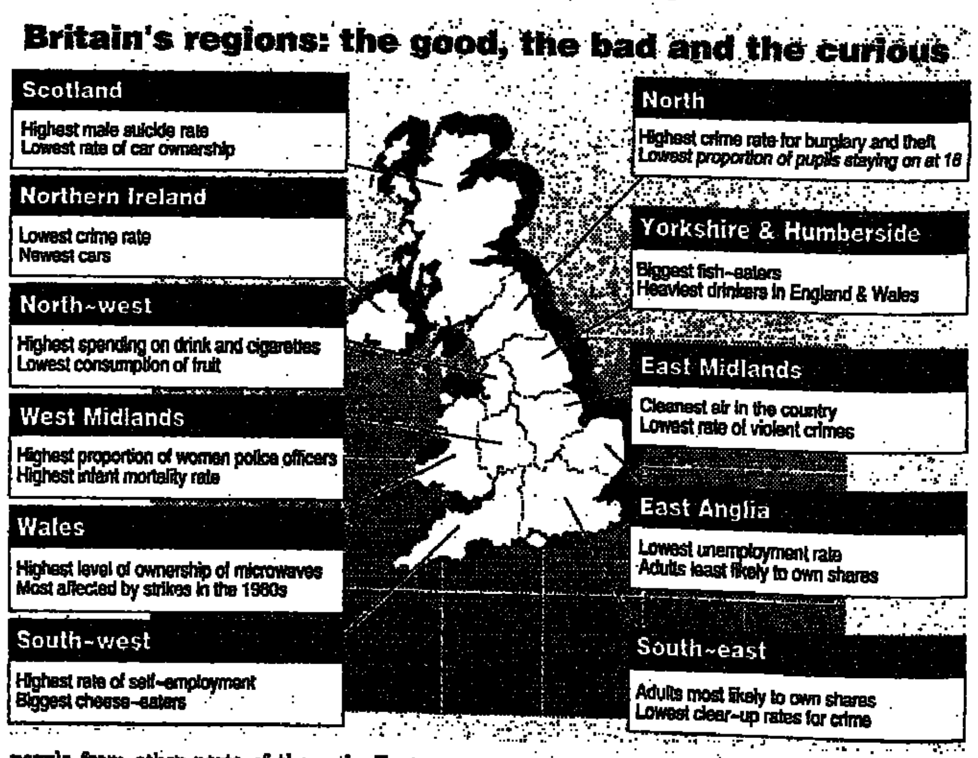
You'd certainly be better off in East Anglia than in the north, according to the latest edition of Regional Trends, the annual digest of statistics on the UK's 11 regions published yesterday by the Central Statistical Office.

The north is clearly no place to bring up the bairns: one in 50 youngsters has tangled with the law by the age of 13. They leave school at 16 in greater numbers than in the rest of the country, with some of the lowest grades in French. And they graduate to a life of crime which gives the north the highest burglary rates in the UK.

Given the region's high unemployment levels – second only to Northern Ireland – the big surprise is that so many in the north have joined the share-owning democracy. Only the south-east has a higher proportion of adults owning shares.

Indeed, careful study of the statistics packed into this 27th edition of Regional Trends offers everything required to stoke up prejudices against people from other parts of the country:

Britain's regions: the good, the bad and the curious



- The heaviest drinkers are the tykes of Yorkshire and Humberside.
- People in the north-west spend most on booze and fags.
- The south-west has the oldest population driving the oldest cars – as a trip along the Exeter bypass will confirm.
- The morose Scots have the highest male suicide rate in the country.

Despite the suicidal tendencies of the locals, Scotland looks to be a pretty close runner to East Anglia in the quality of life stakes.

It has the the best staffed schools and the highest proportion of children staying on after 16. Earnings are also the highest in the UK outside the south-east.

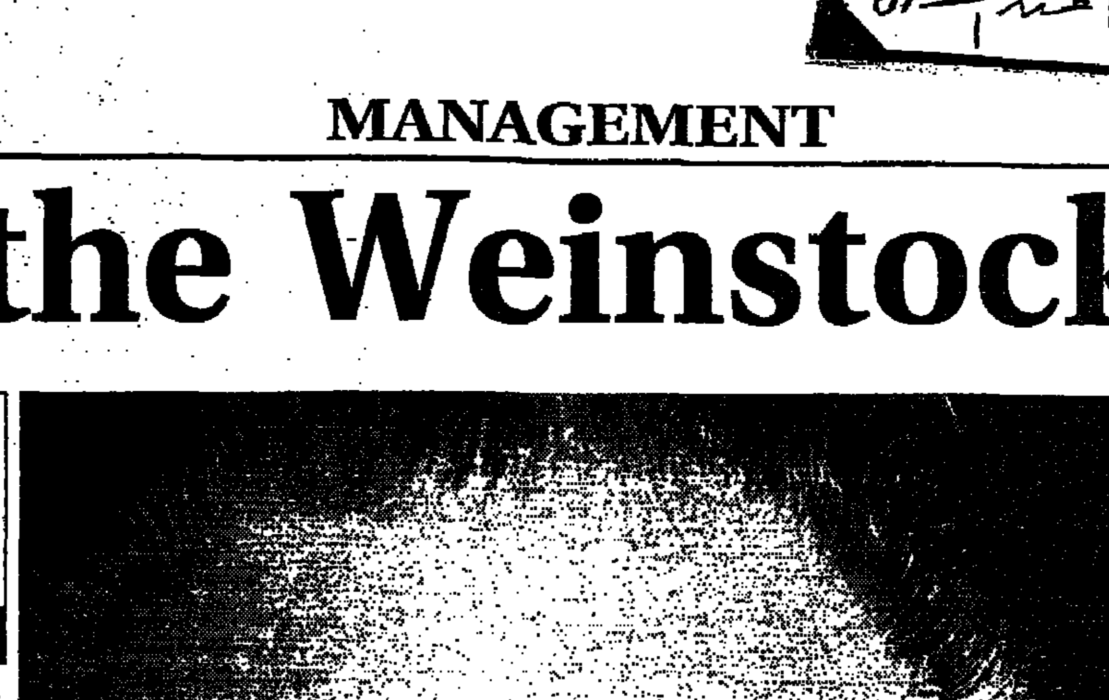
As for the people in East Anglia, they are more likely to own a car than others – and also less likely to fail a breath test. Some people have all the luck.

Behind the Weinstock enigma

GEC

AT THE CROSSROADS

PART FOUR: Charles Leadbeater looks at the man whose idiosyncratic style has shaped the group



DEMANDING: Lord Weinstock provokes equal measures of pride and exasperation, loyalty and frustration among his managers

In summer he usually works in braces, the top button of his shirt undone and his Hermes tie loosened around his neck. Nearly 68, his greying hair is always immaculately combed. His clothes are stylish but understated. Sharp eyes glint behind the tortoiseshell glasses, and his light frame, long legs and slender arms make him seem unsteady and vulnerable.

Most people believe Lord Weinstock, the managing director of the General Electric Company, is a financial machine, ruthlessly seeking and greedily hoarding cash in his west London coffers.

The reality is considerably more complicated. The shades of Lord Weinstock's character are reflected in his office.

The desk is not fussily neat but carefully organised. Beyond a sloping reading desk, there is a telephone with 250 short dial codes that put him in direct contact with his managers throughout the company.

He eschews the egotistical paraphernalia which fill the offices of many other businessmen. There are no framed awards or pictures of him clasping former US presidents around the shoulders.

He does not revel in the trappings of power. The furniture is sparse, cheap, functional and slightly tatty.

He is extremely analytical with a rare ability to convey complex situations in simple terms. He has a brilliant mind for numbers. His touch with people, however, is less sure. He can be extremely charming, teasing and humorous. But many people complain that he is impolite. Many of his managers find him distant and arid. He rarely shakes hands with guests, who can spend hours in his warm office while he sips sparkling water from a crystal glass and their mouths become parched.

Although he has occupied one of the most powerful positions in British industry for 30 years there is not the slightest hint of pomposity about him. He hates ostentation.

Executives at lesser companies are fond of reciting their achievements. Lord Weinstock never boasts about himself.

He is ruthless. He relentlessly demands his managers improve their performance. Yet he is untouched by the self-congratulatory machismo which infected much of British management in the last decade.

Lord Weinstock arrives at the office in the late morning, has a late lunch, usually in the company's sixth-floor dining rooms and enjoys a short afternoon before working into the early evening, often on his own.

His hallmarks are pragmatism and flexibility, a peculiar mixture of rational analysis, naked opportunism and great caution. He detests systems and patterns which impose a false hierarchy and order upon things. Anyone hoping for a neat, business-school explanation of GEC's history will be at sea with the swirling narrative that Lord Weinstock delivers.

He explains his big business decisions like a spider spinning a web, weaving together business and politics, chance contacts and considered strategy, anecdotes and jokes.

Lord Weinstock provokes equal measures of pride and exasperation, loyalty and frustration among the managers who work with him.

Mr David Fletcher, managing director of Marconi, GEC's defence subsidiary, describes his boss: "He is a unique, fascinating, brilliant, infuriating, sometimes exasperating guy, who always comes up with something worth thinking about."

Mr Carey Nolan, managing director of GEC's Picker medical equipment division based in the US, recalls his visits to GEC's Stanhope Gate headquarters in London for annual budget meetings: "His moods can range from gentle persuasion to table-thumping demands."

The idiosyncrasy of Lord Weinstock's character is central to GEC.

It is a tremendously decentralised company. Responsibility for strategy, product development, investment and business planning is devolved to the managers who run the subsidiaries. There are about 70 staff at headquarters, running a business with a turnover of £9.4bn and 120,000 employees.

As a result a lot of people in GEC know a lot about small bits of the business. Only a handful of executives know about all of the group. So Lord Weinstock is unrivalled in his knowledge and power at the company.

That also leaves him very exposed. Any judgment of GEC's record is inescapably an assessment of his strengths and weaknesses. He has been the most enduring and the most controversial figure in British business in the last 30 years.

Most of the industrial barons of the 1960s, such as the late Lord Kearton, the former chairman of Courtaulds, saw their expansionist dreams turn sour as their empires were dismembered in the 1980s. Most of the famous names of British engineering – GKN and TI for instance – underwent painful and radical surgery in the last decade. Some such as Hawker Siddeley have disappeared. Lord Weinstock has kept GEC virtually intact.

Most of the management stars of the Thatcher years – the likes of Sir Michael Edwardes at British Leyland and Lord King, chairman of British Airways – were products of the time, the political climate, and the boom in the British economy.

Lord Weinstock may well outlast them all. He has adapted to a wide range of political regimes, from industrial interventionism by the Labour party in the 1960s to free-market Thatcherism in the 1980s. He has survived through nine changes of government, six prime ministers and five recessions.

Yet despite his power Lord Weinstock remains an enigma. That is partly out of choice, a senior GEC manager in the US suggests. "He makes himself enigmatic to protect himself and keep his distance from people."

Indeed his intense shyness is one of the least understood aspects of his character. Apart from a brief period in the late 1960s when he crusaded against the complacent inefficiency of British management, he has not taken to the pulpit.

He keeps himself to himself, closeted in that darkened office where messengers deliver reports of events in the outside world. He rarely visits customers, even if they have spent big sums with GEC over many years.

A former senior official at the Ministry of Defence recalls: "He would come over if you specially asked him to, but he would not come to see you of his own volition very often."

In spite of his power he still sees himself partly as an outsider, someone who believes society is run by cliques which he cannot join.

This is a reflection of his background. Arnold Weinstock was the son of Jewish immigrants from Poland. His father worked as a tailor in central London. He studied statistics at the London School of Economics before going into business with his father-in-law, the then Mr Michael Sobell, making television sets at Radio and Allied Industries.

Thirty years at the top of business have not hardened his skin to public criticism. He remains highly sensitive and often feels his motives and achievements are almost wilfully misunderstood.

This combination of power and reticence has created a gap in public knowledge which has been filled by a series of crude caricatures.

The main one runs like this: Lord Weinstock is a financial automaton who turns everything into numbers. He is driven by short-term profit to put financial considerations above all else, whether that be long-term investment, research on fledgling technologies or his employees' jobs.

On this view, he has gripped his company with a dead hand, unwilling to take the risks which could have pushed GEC into exciting fields in consumer electronics or computing.

Lord Weinstock, the critics allege, had the chance to turn GEC into a company which could have matched the power of Matsushita of Japan, Siemens of Germany or Philips of Holland.

But he never really tried, they say, because he was content to be in the second division of the world league as long as he enjoyed a dominant position in domestic markets. Indeed they allege his obsessive caution is responsible for much of the failure of British manufacturing since the 1960s.

That widespread caricature is outdated, inaccurate and shortsighted. Some of the charges of holding industry back are groundless: for instance his record in the heavy electrical industry is difficult to fault. Others are one-sided: the financial prudence which critics complain of has lent the company a stability many of his competitors would envy. But Lord Weinstock is far more complicated than the caricaturists allege. He does not merely reduce things to numbers, he uses numbers more like a language to interpret business. His hatred of waste is not the product of greed for short-term profit, but a much more deep-seated utilitarian ethic.

Lord Weinstock's style was forged by his family route into business. He recreates a family atmosphere in his offices, working with a tightly knit group of highly trusted colleagues. Like a family, relations among the small team in the fifth-floor offices in the company's headquarters are open, usually relaxed, sometimes fractious, occasionally heated and completely informal. They live in one another's pockets. As a result they can take decisions with enormous speed.

However, outside these intensely close relations with his immediate colleagues, Lord Weinstock seems distant and cold.

He finds self-publicity distasteful. It is as if at an early age someone advised him not to draw too much attention to himself. This shyness has had a profound impact on the business.

He is not an adventurous marketeer like Mr Alan Sugar of Amstrad. He is wary of the risk of trying to create a market that does not already exist.

Some senior executives within GEC want to break out of the constraints of the Weinstock style.

Mr Fletcher says: "There is a growing awareness of the need to connect to the outside world. We have undersold and under represented ourselves. It is in the nature of GEC to keep a low profile, to do a good job and let that speak for itself. Like a lot of Lord Weinstock's sayings it has a lot of common sense but sometimes you have got to do more to sell yourself."

The family beginnings of Lord Weinstock's career also shaped his attitude towards money. A senior Stanhope Gate executive says: "He spends GEC's money as if it is his own."

While some – most recently Robert Maxwell the publisher – have abused the kind of power Lord Weinstock enjoys at GEC, he is strictly abstemious. There are no grey areas where GEC's money and the family's private interests are blurred. The £1m a year he spends on his racehorses comes from his own pocket, not from the pockets of GEC shareholders.

He deplores waste with a vengeance so fierce that many who work with accuse him of going too far. "He is downright mean about salaries," remarks one senior Marconi executive who has spent 30 minutes on the telephone arguing with his boss over whether to pay a young recruit a slightly higher salary than normal.

One of Stanhope Gate's most highly regarded executives is an energy-saving specialist who tours the world, turning up at GEC factories late at night to find out how many lights they have left on. However, it is not just profit but old-fashioned cash that drives Lord Weinstock.

One of the company's largest institutional shareholders comments: "He sits on top of the till, watching the cash come in and go out."

This belief in the virtues of money helped to steer GEC clear of the troubled financial waters which claimed so many apparently robust companies in the past few years.

He deeply distrusts even audited figures for profits and asset values, unless they are backed up by something more concrete – money. Lord Weinstock remarks: "If you think you make a profit it is reassuring to see it in the form of money. When people are making a profit but not making money then we have learned to become suspicious."

He retains a deeply cautious approach to borrowing, still proud that he has always had enough cash and liquid assets to cover any overdraft with the bank.

The other side of the coin of this financial prudence, however, is Lord Weinstock's very cautious approach to risk. It was not always that way.

He launched himself into the British business world as a huge gambler. In the late 1950s he was selling and making televisions and radios in west London. A decade later he was running most of the British electrical industry.

He recalls: "We had no option and we had nothing to lose. In the mid-1950s it was all risk. My father-in-law was being boycotted by the radio trade, we had little money, an old factory and no way to sell our products in a heavily overpopulated industry. The risk of failure was enormous. But we turned out to be the only survivors of the more than 20 companies who were around at the time."

It was during the rationalisation when AEI and English Electric were merged into GEC that Lord Weinstock gained his reputation for ruthlessness. Trade-union critics alleged it bordered upon savagery in 1969 when he closed a single plant, the old English Electric telecommunications factory at Woolwich, with thousands of job losses.

A colleague who has worked with him for 28 years says Lord Weinstock has changed markedly: "In 1968 he was full of vigour, a real tiger. Now he is an old man, his attention span is short, his eyesight is terrible and he is a hypochondriac. His whole approach to life is much more cautious."

Others who have worked closely with him allege that after all the upheavals of the late 1960s he went to sleep in the 1970s. As the cash mounted from the merged group, he sat back rather than taking a bold initiative which could have pushed the GEC forward into growth areas of electronics. It was in the 1970s that much of British industry decisively lost its competitive edge. During this period the GEC giant, in which so much hope had been invested, slumbered.

Lord Weinstock's own explanation is not entirely convincing. He says: "The radar was scanning the whole time but sometimes there is no traffic. There was nothing to do, so we did nothing. People wanted me to make things which have lost a lot of money for those that did make them."

He argues that he is not abnormally averse to risks. Yet it is just that he sees risk everywhere he looks.

He likes reducing uncertainty to a minimum before taking a decision. He deals in reason and evidence rather than visions and faith.

He believes that rational thought is the basis for good business, rather than the drive of greed. And his belief in this rational thought is the source of his political and social tolerance. "Prejudice pollutes the way people think," he remarks.

His distrust of zealots and dislike of fashion meant he had an uncomfortable time with the rightwing idolatry of Thatcherism. A former Conservative trade and industry secretary acknowledges: "He had a very rough time in the 1980s. But over the long run I think history will judge him rather well."

From the mid-1980s, government policy moved against GEC in several areas. For instance, defence contracting was opened to competitive fixed-price tendering. Lord Weinstock was, however, not impressed by convictions based on faith rather than evidence, and an economic boom based on debt rather than cash. He knew too much about the reality of British industry to join the chorus which claimed that a spirit of enterprise had transformed manufacturing.

He is intensely and annoyingly sceptical. He likes argument almost as much as he adores opera, often to the frustration of his colleagues. Mr Murray Easton, the chief executive of Yarrow, GEC's naval shipyard, describes how best to deal with his boss. "He is always testing you. The best thing is to stand up for yourself. The line sometimes goes silent but the best thing is to stand your ground. If you do not he will never trust you."

Lord Weinstock says of himself: "I am not diplomatic, I am fairly blunt. I am not malicious and I do not harbour any hostile feelings towards anyone. I like to have an argument about an issue, say openly and in complete frankness what I think, and then once we have decided the best way ahead I accept it and I expect others to do the same."

This belief in logical argument is combined with an appetite for detailed evidence which is so insatiable that it is simply staggering. His obsessive attention to the very smallest detail is one of the hallmarks of his style.

The extent of Lord Weinstock's involvement in the minutiae of GEC companies would stun chief executives who believe their role is to decide grand strategy.

Mr Fletcher says: "If we do not have several calls in a day from him or his staff then we think the telephone is broken."

Mr Pierre Bilger, chief executive of GEC-Alsthom concurs: "We expect to get a phone call every two days inquiring about anything from big strategic issues to the performance of a particular contract."

Anecdotes about his hunger for detail abound. A manager at GPT, the telecommunications division, displays the four pages of his monthly financial report, which have been pored over with a fine-toothed comb even though the business only has an annual turnover of just £20m. On the back page is a headmasterly warning: "Most unsatisfactory. Please see comments."

At a recent budget meeting a managing director had just explained his plans for his main seven fixed costs. Lord Weinstock then demanded that he justify in detail the 24 items which made up the small residual "others" category in planned fixed costs. It took about an hour to mollify him.

Hotpoint, the consumer appliances group which GEC runs jointly with General Electric of the US, is reorganising its after-sales service centres after Lord Weinstock, posing as a disgruntled customer, got a less-than-satisfactory reply to a telephone inquiry.

Some chief executives decide strategy and then work out the detail of how to implement it. Lord Weinstock works the other way around. He believes that if the details of a business are looked after, the rest will fall into place.

But it is when he moves from figures to people that the combination of rationality and shyness puts him at his weakest.

Although he believes the business should be financially driven he does not motivate his managers with financial incentives. He claims he mainly tries to persuade them by the force of argument: "The first thing I have to do is inculcate a methodology based on logical processes. I do not believe in imposing things upon people. You cannot make people think something, you have to persuade people about what to do."

Mr Jim Cronin, GEC-Alsthom's finance director, says: "He is an educator. He very rarely tells you what to do. He shows you how to do things rather than trying to do them for you."

This does not mean he is soft, because he has an equally strong commitment to personal responsibility. This was the basis of his attack on the old industrial establishment in the 1960s.

The companies he took over were suffocating beneath hierarchies of management which meant that responsibility for most decisions were lost in a dense network of committees and procedures.

He scythed through that by devolving responsibility to the managers who ran his businesses. That is why people like working for Lord Weinstock: he trusts them with great autonomy. It is quite common to find managers at GEC who have been with the company for between 20 and 30 years.

If managers make a mistake, however, Lord Weinstock holds them personally responsible. Some are fired, more often they are moved sideways. Once a manager's copybook has been blotted it takes a long time for the stain to be removed from Lord Weinstock's memory.

He expects other people to do their jobs without being told how to. He does not intervene in a subsidiary just to reinforce his authority. In this sense he is egalitarian, he deals with people as if they were equals.

Nevertheless his faith in the power of argument has its drawbacks. "He has not got a clue about the motivational side of man management," says a GEC director.

He seems to believe that action should flow like a logical consequence from a reasoned argument. Managers may revel in the devolution of power, but their egos are deprived of the oxygen of praise. There is a motivational austerity at GEC.

Mr Kelvin Bray, a senior executive at GEC-Alsthom who has worked for GEC since the 1960s, says: "Lord Weinstock focuses upon what does not work rather than what works well. If it is working well it does not need his attention. Silence is praise. When you hear from him it means something is not right."

Lord Weinstock believes praise is a currency which is easily devalued. He will praise people when he is inspired by an exceptional performance. But he believes praise is usually either empty rhetoric or an excuse to be patronising. "Who am I to praise someone for doing his job well? That implies I am above them or that they are doing it to please me. The point is to do the job well, to help one another to do the job better. A well-done job speaks for itself."

He is also shy – a characteristic often mistaken for arrogance – and is far less emotionally robust than most people think. He is intensely vulnerable to being let down by people he trusts. He admits: "My biggest disappointment is the failure of a few people to live up to the expectations I had of them. They did not turn out to be the guys I thought they were. Some of the swans turned out be geese."

To his many critics – in and outside the company – the Weinstock swan has turned out to be an obstinately slow-moving goose.

But most critics misunderstand him or hardly know him. He is ruthless, yet he has an underlying cultural and social tolerance which leaves him open to debate and ideas. He also has an irrepressible sense of humour, which means he constantly tells jokes of widely varying quality. He has held tight to old-fashioned liberal beliefs in the value of education, reason, and learning when many others in the 1980s were attracted by the intellectual and business fashions of the time. Above all he has a mind of amazing agility and ceaseless energy, which produces a bewildering array of ideas, most of which are quickly embraced and swiftly dropped.

On the other hand he has great weaknesses which are reflected in his company. He is not a marketeer; he does not revel in taking risks; he is fascinated by consumer markets but lacks the confidence to conquer them; his obsession with detail means his horizon is often too limited, while he seems at times both naive and unforgiving in his judgments of people.

In the last 30 years he has been the custodian of a vast chunk of Britain's industrial inheritance. He has protected it better than virtually anyone else could have, but he has failed to build upon it as much as he might have done.

Lord Weinstock is one of a stream of Jewish entrepreneurs of central European emigré descent – men such as Wolfson and Thorn, Sobell and Warburg – who threw open the shutters of the musty world of British business. Arnold Weinstock is one of the last of that band whose roots lie in the upheavals which shook Europe in the early decades of the century. One of the last, and certainly one of the best.

IN HIS OWN WORDS

1992:
Weinstock on his office: "The place must be sufficiently bright not to depress people."
"I'm not interested in image. We are what we are."
"Most of my life revolves around my job. It is what I am doing most of the time, wherever I am."
October 1990:
On his son Simon succeeding him: "Of course I would like it, but only on condition that it fulfilled his life and not that he did something to please me."
On the EFA radar contract: "The cat is not yet in the bag but it is rapidly moving towards it."
1990:
On whether GEC had missed opportunities for growth: "If the number 73 bus goes down Park Lane and you're in Oxford Street, it is not a missed opportunity if you didn't get on it in Park Lane."
1989:
On the company's recent record: "The stock market took the view that because something was not happening every day we were fast asleep. That was all absolutely rubbish."
1989:
"The minimum scale for effective survival is always rising. A niche can easily become a tomb."
1989:
On the joint ventures: "Everywhere in Europe companies are giving up sovereignty because of the costs involved in research and development. The extent and speed of technological changes are such that no one thinks he is capable of doing it all on his own."
1969:
"One of the strategic decisions we have virtually made is whether to become one of the major world companies in micro-circuits. We really see no alternative."
1969:
On doing statistics at the LSE: "I did not have enough background to do mathematics."
1969:
"Some of us here have the feeling we are involved in a crusade."

PART FIVE TOMORROW

Into the future

TECHNOLOGY

Paul Taylor finds an industry widening its range

Design tools a maturing market

The development of many consumer and industrial products depends upon the design of sophisticated electronic devices and systems, and the speed at which new products can be brought to market is often critical for competitive success.

However, for the electronics engineer, grappling with ever greater levels of complexity, the design process itself can be an increasingly difficult and time-consuming task. Without help, productivity quickly declines and development times stretch out.

Electronic design automation (EDA) software gives the engineer a set of "tools" that help rapidly turn concepts into products. Using design automation software not only speeds up the process – for example by providing libraries of commonly used components – but can also enable the engineer to check complex designs by simulation.

As a "top-down" design methodology, EDA allows designers to focus on the overall architecture and behaviour of a component or system, rather than being forced to deal with details at the structural level. Engineers can concentrate on what they want the product to do, rather than on how it will do it.

The worldwide market for design automation software has grown to around $1.6bn, fuelled by the demands of the semiconductor, computer and electronics industries.

Meanwhile, suppliers know how it feels to have been at the sharp end of a young and fast-moving industry – one which has undergone a substantial restructuring. "If you go back 10 years, all the players that were key players then, are out of the market now," says Joseph Costello, president and chief executive of Cadence Design Systems.

Among the casualties have been once high-flying companies such as Daisy Systems – acquired by Intergraph – and Valid Logic Systems – which was "merged" into Cadence at the end of last year.

Aided by a string of acquisitions and mergers, California-based Cadence has now caught up with Mentor Graphics, its arch rival, and reported EDA software revenues last year of $392m. But both Cadence and Mentor reported losses in 1991, reflecting the tough market conditions.

Many of the industry's corporate pioneers faltered – or are still struggling – because they failed to anticipate the move from proprietary minicomputers to general purpose workstations, and then because they tried unsuccessfully to bundle hardware with software into turnkey packages.

They also failed to spot the trend in the mid-1980s towards "open" systems hardware and software. Customers wanted to be able to "mix and match" EDA tools, and Cadence exploited this in 1985 by pioneering the design framework concept – an open systems platform for applications software that enables tools to be plugged together easily.

However, there are now signs that the EDA industry is beginning to mature. Industry growth rates are slowing, and stable hardware and software platforms have emerged. After a wave of consolidation culminating in the Cadence-Valid merger, there are now only a handful of big suppliers.

Aside from Cadence, which made a $21.7m loss in 1991, and Mentor, which lost $61m on sales of $400m last year, these include Racal-Redac in the UK, which managed to reduce its losses last year to less than £5m, and Japan's Zuken group. But several fast-growing smaller companies, such as US-based Viewlogic Systems and Synopsis, have also emerged to exploit market niches or new software ideas.

Viewlogic, for example, pioneered EDA software which allows customers to make use of field-programmable gate arrays – devices that can be electronically tailored to fit specific applications. However, the Massachusetts-based company, which went public in December, has recently launched a broader package of "next generation" design automation tools called PowerView.

Indeed, EDA customers have generally demanded that vendors supply broader product ranges. It was the need to serve this wider marketplace which led to the merger in 1988 of two Silicon Valley start-ups called ECAD and SDA Systems and the creation of Cadence.

SDA had focused on integrated circuit (IC) design automation tools, but recognised that it also needed to be able to provide the software used to design whole systems. Nevertheless Costello, SDA's chief operating officer at the time, admits it was only after the merger with Valid that Cadence could rank with Mentor as full range EDA supplier.

Costello insists there is still "a tremendous amount of growth" in the EDA market, particularly for simulation software. "If you're not simulating you are really not designing on the computer," he says.

But not everyone is convinced. Some, like Charles Foundyller, an analyst with Massachussets-based Daratech, believe the industry's recent relatively lacklustre performance may indicate that the market for EDA software is nearing saturation.

He is also reserving judgment on whether Cadence can produce substantial organic growth. "Cadence has done a good job of hiding its problems by acquisitions," he says.

Not surprisingly, Costello rejects such criticism, arguing that, excluding last year, the company has had a compound annual growth rate on top of mergers in the past few years of over 50 per cent and that, in some product areas, for example analogue tools, Cadence has built up a $50m business from scratch.

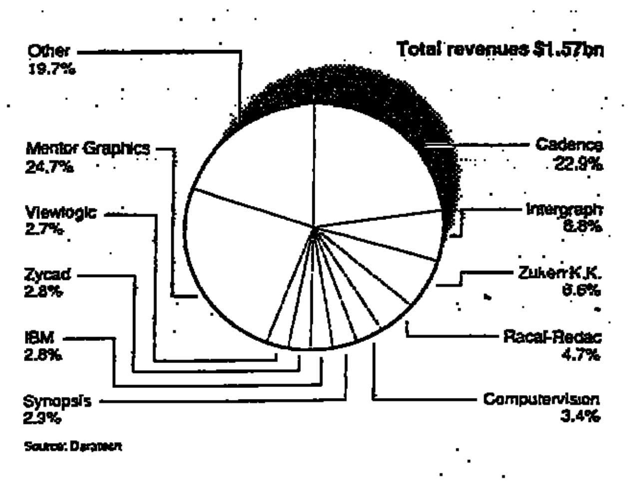
He is also confident that customers – who, he says, consistently identify as a key issue the need to reduce the time taken to market and master design complexity – will continue to turn to EDA for solutions.

The only way to tackle these design issues, he believes, is to change the process or automate. Either way, he says, the EDA vendors should gain – through higher levels of expenditure on design automation software, or by providing consultancy services.

Selling customers design expertise, as well as software, is an increasingly important source of new revenues for the EDA vendors. For example, earlier this year Cadence signed a three-year EDA consulting agreement with Japan's Sony electronics group.

In five years time, Costello forecasts, consultancy could represent a quarter of Cadence's business. If he is right, the distinctions between software vendors, systems houses, consultancy firms and hardware vendors may be erased.

Worldwide EDA market



Source: Daratech

Foiling the forgers

By Louise Kehoe

Use a credit card to shop in London and you can expect to see the sales clerk scrutinise the signature on the back of your card to see if it matches the one you have scribed on a sales slip.

Now fly to New York and pull out the plastic again. The chances are that your signature will not even merit a second glance, but the card will probably be "authorised" by swiping it through a slot in the side of a telephone, or built into the cash register that reads information on the magnetic stripe on the back of the card and transmits it, via telephone lines, to a central computer.

Retailers and banks have adopted varying methods of validating credit card transactions in different parts of the world. All, however, address the universal problem of growing credit card fraud.

Losses from card fraud have risen alarmingly over the past two years. Visa International measured fraud and counterfeit losses on its credit cards last year at $623.4m, up 52 per cent on 1990. In the UK, the Home Office estimates card fraud cost £165m last year, up from £150.3m in 1990.

Technology is widely seen as the chief weapon in the fight against card cheats, but applications must take account of regional differences.

Automated signature verification holds greater promise in markets where credit card signatures are routinely checked, whereas in the US, the process would have to be disguised to make it acceptable to cardholders, who see this type of authorisation as an insult to their integrity.

Perhaps because the British are accustomed to having signatures checked, the technology is a focus of research and development in the UK.

AEA Technology, a unit of the former Atomic Energy Authority, has developed a signature verification system based upon a "neural network" – an array of computing elements that mimics the thought processes of the human mind.

Rather than simply analysing elements of the signature, like a conventional computer system, the "Harwell Countermatch" also views the signature as a whole in the way as a person might get an overall impression of its appearance. The signature is mapped against a sample which can be recorded on the magnetic strip or semiconductor memory in a credit card.

The AEA system overcomes one of the drawback's of automatic signature verification by learning as it goes and picking up on the natural variations in a signature. So the accuracy of the system improves with use.

In trials where forgers attempted to copy signatures, the system detected over 95 per cent of forgeries, while less than 1 per cent of authentic signatures were rejected.

Barclaycard, the largest issuer of credit cards in the UK, is testing signature verification, voice recognition and fingerprint matching. All are seen as long-term ways to avoid credit card fraud at the point of sale.

Signature verification is widely seen as the most acceptable form of automatic verification because it is less intrusive and does not require significant changes in the familiar procedures involved in using a credit card.

In the US, point-of-sale credit card verification is the exception, rather than the rule. However, Visa is conducting a trial of electronic signature capture in Gap clothing stores. While the aim of this experiment is to eliminate paperwork, it would be feasible to incorporate signature verification into the system without any change which is perceivable by the customer.

Nobody in the credit card industry sees signature verification as the sole solution to credit card fraud, and there is a broad consensus that the focus of prevention must move away from the point of sale toward authorisation networks. The UK's high telecommunications costs are therefore a serious drawback, inhibiting merchants and bankers from accessing remote data processing centers.

Digital's package aims to revive declining

Hopes of commercial recovery lie in Alpha technology, writes Alan Cane

Digital Equipment, the loss-making US computer manufacturer, this week took its biggest step so far towards securing its future, announcing products that bridge the gap between the technology of yesterday and that of tomorrow.

It announced:

- a series of 13 new computer systems, ranging from a desktop workstation to a small mainframe, that are compatible with its earlier Vax technology, but can make the jump to its new Alpha systems.
- modifications to its proprietary VMS operating system which will enable it to be classified as an "open" system – that is, conforming to the broadest industry standards.
- a programme to make it simple for DEC's existing customers to move to the new Alpha systems as they become available.

DEC, with annual revenues of over $13bn, is the world's third largest information technology company after International Business Machines and Fujitsu, but it lost more than $500m last year.

Its success in the past decade has been based on its Vax computer family, a range of machines all of which use the same VMS operating system and which can therefore run the same applications software.

It failed, however, to move quickly enough into workstations powered by Risc (reduced instruction set computing) chips, or into open systems, the fastest growing parts of the business.

Its principal hope of commercial recovery lies in Alpha technology, which it has been working on for over two years. Alpha technology involves a 64-bit architecture or machine design and a 64-bit Risc microprocessor chip.

Tests indicate that the Alpha Risc architecture is faster than the IBM or Hewlett Packard equivalent in transaction processing benchmarks, according to Geoffrey Shingles, DEC's UK managing director. The first Alpha machines will be available by the end of the year.

There are now some 10m users of Vax technology worldwide which DEC hopes will switch to Alpha technology. The systems announced this week are intended to facilitate an easy move.

The new machines, while running VMS, are designed so that they can be upgraded to Alpha by inserting a printed circuit board incorporating the new processor chip.

At the same time, X/Open, the open systems standards body, has agreed that DEC's latest VMS operating systems conform with open systems specifications (in technical terms, its conforms with X/Open's XPG3 standard). DEC is calling the system Open/VMS.

Michael Lambert of X/Open said: "Digital's success in obtaining XPG3 conformance for Open/VMS represents a clear response to user needs and the strongest possible commitment to open systems."

ARTS

Cinema/Nigel Andrews

Further capers of the caped crusader

BATMAN RETURNS Tim Burton
THE BUTCHER'S WIFE Terry Hughes
SLEEPWALKERS Mick Garris
STEPKIDS Joan Micklin
PEPI, LUCI, BOM. Pedro Almodovar

It is an interesting title: *Batman Returns*. Does it refer to the caped crusader's comeback or the series' box-office revenue to date? The returns from *Batman 1*, as we know, were roughly equivalent to the gross national product of Phrygia under King Midas. Now here comes *Batman 2*, which in two weeks in America has notched up $100m, enough to make Midas sell his kingdom for shares in Warner Brothers.

What can it mean? I am leasing space briefly in this column to two authorities who may shed light. First, my six-year-old nephew. "Well, in the film, Batman fights the Penguin who is very nasty and wants to have the power over Gotham City, 'cos Penguin is this big, fat thing who squawks and has these penguin soldiers with rockets and, and, and, Catwoman, who was the bad millionaire's secretary but now has been made into a cat by falling out of a window and then cats breathe in her face and she helps Batman and fights him."

All clear so far? Let us proceed to my second authority, a sociologist-structuralist friend. He prefers not to be quoted direct but maintains that Batman is a symbolic alter ego for developed Western civilisation today. Batman/Bruce Wayne acts out our own identity crisis as we make amends for our guilty affluence, amassed over the century, with guerrilla deeds of heroism (like Iraq) or fly-by-night flourishes of socio-ecological conscience (like the Rio summit).

Possibly. What I saw and heard in Batman Returns was two hours of noisy, lurid pyrotechnics. Experiencing the soundtrack, all bangs, shrieks and maniacally repeated signature tunes, is like being lost in an exploding American theme park: Anaheim agonistes or Orlando furioso.

The sets, plundering everything from *Citizen Kane* to Socialist Realism, pile design plagiarisms on the late Anton Furst's haunting original. (Furst won an Oscar for *Batman* and then died after throwing himself from an eighth floor window, in bizarre premonition of Michelle Pfeiffer's Catwoman). And the actors, Miss P apart, either offer languid read-throughs of underdeveloped roles (Michael Keaton's Batman, Christopher Walken as demon millionaire Max Shreck) or scream and gesticulate as if someone has set fire to their trousers (Danny De Vito's Penguin).

As for the script, co-written by Daniel Waters with director Tim Burton who fashioned *Batman 1* and the gentle *Edward Scissorhands*, it seems aimed at two main social groups.

One is sub-literate morons who can recognize a pun only when it swats them firmly in the face. ("Just the pussy I was looking for!" cackles Penguin on first sighting Catwoman.)

The second is people with cloth ears who need a joke repeated in case they missed it the first time. Thus Miss Pfeiffer's pre-feline spinster secretary, tripping into her lonely flat, says "Honey, I'm home – oh, I forgot, I'm not married." We laugh. Then 20 minutes later she says it again. The cloth-ears laugh.

Pfeiffer, it happens, is the treat of the film. She begins as a female Clark Kent, all spectacles, gaucherie and tangled ankles. Then, metamorphosed into Catwoman, she purrs and miaows with leather-clad panache. Not since Diana Rigg in *The Avengers* have so many large animals lost their skins to so great sartorial-erotic effect.

The Penguin (Danny de Vito) and Catwoman (Michelle Pfeiffer) discuss tactics in a scene form Batman Returns

But it is a sign of the film's muddle-headedness that Pfeiffer is given no clear role in either the romance or the action. She sets Batnan and Penguin each a-tremble, but by climax time she has been sidelined by both.

The story's last-act spotlight, jiggling away in the glory of Batvision and Bat-erama, shines down fulsomely, exclusively on hero and villain. What a shame they are both so dull. Keaton the actor has vanished forever into his designer-muscled Batsuit. And De Vito's Penguin suggests a Jimmy Durante impersonator trying to shout himelf silly from a mountain-top. Will there be a *Batman 3*? Buy earplugs and other necessary protective devices while stocks last.

* * *

The Butcher's Wife is a comedy so *sotto voce*, by contrast, that you should borrow your great aunt Norma's ear trumpet. Scripted for gentle whimsy by Ezra Litwak and Marjorie Schwartz, it plants North Carolina psychic Demi Moore in New York where she falls out of love with her butcher husband George Dzunza and in love with psychiatrist Jeff Daniels. Throwing her clairvoyant powers around like confetti, she also changes the lives of Mary Steenburgen, mousy spinster, and Frances McDormand, literate lesbian.

Has Demi Moore, wan of voice and manner, been on a charisma reduction course? Here she vanishes into the recycled Greenwich Village wallpaper, more Hemi-demi-semi Moore, while Daniels and the minor characters come forth with the charm. The mad offhand grace-notes are best: like the actions in one scene of a patient in Daniels' office when no one except us is looking. (I shall reveal no more: giggle yourself). Britain's Terry Hughes directed.

How I wish that some pairs of unrelated films could be introduced to each other, like boxers touching gloves before Round One, and then set scrapping with no holds barred. Joan Micklin Silver's *Stepkids*, an icky tale of family bonding, would be greatly improved by the attentions of Clovis the Attack Cat from Stephen King's *Sleepwalkers*, directed by Mick Garris.

Clovis is a police cat with a mission: to tear apart over-bonded families like Alice Krige and Brian Krause, an incestuous, vampiric mother-son duo who settle in a small Southern town where he brings home date-rape victims for her to eat.

Meanwhile large numbers of famous horror writers and directors pop up through the cracks in the plot doing cameos: John Landis, Joe Dante, Clive Barker, King himself. They distract us from the gathering daftness, but not enough. The film's blood count is high and fine, its special effects likewise. But plot logic is savaged early on – why do Krige-Krause stay in a town with such an active police force, why do cats gather in unexplained dozens outside their window? – and never fully recovers.

Stepkids is a moral fable set in America's Laocoon age of serial polygamy and multiple half-siblings. When young Laura (Hillary Woolf) runs away from a lakeside visit to her stepbrother, a platoon of parents, step-parents and semi-brothers and sisters descend to search for her and sort out their own lives. It is a comedy of extended families by a director not extended at all: Joan Micklin once made, though you would not think it, *Hester Street* and *Between The Lines*. Frank Mugavero wrote the homiletic script, Griffin Dunne, Margaret Whitton, Adrienne Shelley and ohers try to bring it to life.

I have one more job for Clovis the Attack Cat. After his visit to Lake Homily, he should go to Madrid to sort out problem elements in the city's post-liberation subculture.

Pepi, Luci, Bom... is an early Pedro Almodovar comedy – how many more are still to come? – featuring drugs, sex, violence, urination and the other things not possible under Franco. It also features a plot of sorts, but we cannot expect you to find that when even critics with helpful Press hand-outs are powerless to do so. In short, a shambles. Clovis's mission is to track down any further early Almodovar films and shred them on sight.

* * *

Why not repair to the 16th Cambridge Film Festival? The fens are alive with the sound of international movies receiving their British premieres.

From America, the animated feature *Ferngully*, Jim Jarmusch's latest mood-piece *Night On Earth* and Tim Robbins's Cannes-acclaimed political satire *Bob Roberts*. From Europe and points East, films by Chabrol, Zanussi, Istvan Szabo, Agnieszka Holland

Australian Ballet

The Australian Ballet has come a long way in 30 years. The tour which now brings the troupe to the Coliseum is more than mere celebration: it speaks of a confidence in the company's identity which is well founded, and it is an assertion of the progress the ensemble has made during the decade of Maina Gielgud's directorate.

The decision to open the season on Tuesday night with *Coppélia* was wise. The production is intelligent, fresh, respectful enough of tradition not to offend against the work's own history, and it provides a flattering setting for the company's style and its artists. The classic dance is a discipline, not a strait-jacket, and as we see it with the Australian Ballet, it has a vitality quite as impressive as the academic rectitude of the dancers' manner.

The performers look assured, alert to the possibilities of movement, and they bring an enthusiasm, a full tone to step and drama, that is entirely right in this dear ballet. They are, and this seems to me most significant, a coherent ensemble, whose dancing is strong, and identifiably Australian in its brightness of purpose.

This *Coppélia* was set by Dame Peggy van Praagh, founder of the company. With great good sense, she entrusted the production to a theatre director, George Ogilvie, who shaped the action, integrated character and movement, without destroying the identity of the traditional text. There results a dramatic logic – "In *Coppélia*?", marvels the balletomane – that touches each character, each scene.

Narrative winds skilfully through general dances; bravura moments spring easily from mimetic action; there is even, in the second act in Coppélius' house, a frisson of Hoffmannesque mystery.

The greatest compliment that can be paid to this staging is to say that it does not minimise the beauty and emotional felicity of Delibes' miraculous score which, with a couple of additions from *Sylvia* and *La Source*, sounded well under Ormsby Wilkins' baton. Design by Kristian Frederikson – attractively traditional, and with enchanting costumes – sets the scene in the Galicia of nineteenth century operetta, and is very fetching.

Coppélia is a ballet crammed with good things, more vivid and more beguiling than managements often seem to believe. Its story is serious in requiring young love to prove itself against the lure of alchemy.

Its choreography – in spanking national ensembles and in classical numbers – demands wit, prowess, an unfailing sense of style. These challenges the Australian Ballet handsomely meets.

Miranda Coney sparkled as Swanilda, and pouted, and dealt joyously with virtuoso demands. David McAllister was her Frantz, playing and dancing with an eager verve. Colin Peasley was a Coppélius entirely serious, and in the role's darkest moment at the end of Act 2 – the old alchemist surrounded by his gesticulating dolls, clutching the inanimate Coppélia – a figure of tragedy.

These are admirable performances, and they are framed by a company having the right dash for the czardas and mazurka, and a disciplined and well-mannered style for the classic ensembles (in which the men also get a chance to shine). In this happy masterpiece, the Australian Ballet made a happy – and impressive – start to the season.

Clement Crisp

The Australian Ballet season continues at the London Coliseum (071) 836 3161, with varied programming, until July 18. Tour sponsors include Qantas and the Australian National Line

Phil Woods Quintet

Sixty-two years old, Woods is a serious-minded altoist who, like others of his age, enthusiastically embraced all the revolutionary influences of Bird.

Unlike the others, he did not inherit a fashionably fatal predilection for alcohol and narcotics and was thus able to develop and expand the Parker vocabulary to his own ends. He made his name with the big bands of Benny Goodman, Dizzy Gillespie. After moving to Paris in the Sixties (with Parker's former girlfriend) he began leading his own quartets or quintets and refining his post-bop school of alto playing in earnest.

The current quintet is tight and bright as you would expect from a seasoned leader like Woods. The rhythm section of bassist Steve Gilmore and drummer Bill Goodwin have been with him since the mid-70s, while the composing talent of pianist Jim McNeely is a more recent addition; young trumpeter Brian Lynch completes a line-up made for a club setting. Neither chamber jazz nor smoking hard bop, Woods' music swings intelligently with solos shared out among the close harmonies of alto and trumpet.

It has been said more than once that his own playing gets better with time. He manages to take the hysteria out of the alto without dulling its tart tone. At other times, the phrasing is fluidly melodic.

In McNeely's "Empty House" he conversed sweetly with the trumpet; with "Quill" (dedicated to friend and fellow altoist Gene Quill) he punched through the swaying accompaniment of piano and rhythm section and, with Al Cohn's "Pensive", declaimed Bird-like, exploring the lower registers of the instrument.

Phil Woods would certainly have happened without Parker, but the memory of Parker might have been less vivid, and the legacy of Forties jazz less rich, without Phil Woods.

Gary Booth

The Phil Woods Quintet is appearing at Ronnie Scott's Club until 11 July

Music in western Switzerland

Ninety years old and still game for a song: Hugues Cuénod, Swiss tenor extraordinaire, celebrated his 90th birthday last month with a special concert in his home town of Vevey on Lake Geneva.

With Cuénod, the years do not seem to count. Here was a spry man of tall, upright posture, elegant and witty, occasionally extravagant in manner, keeping his audience amused with a few select stories and songs, and generously sharing the stage with pupils and friends.

Cuénod is the sole surviving link with a whole era of composers, performers and teachers who helped shape 20th century musical history.

He premiered works by Honegger and Milhaud in the 1930s, was a regular recital partner of Clara Haskil and Dinu Lipatti, created the part of Sellem in *The Rake's Progress* in 1951 and was a noted interpreter of Schütz, Monteverdi and baroque composers long before they returned to fashion.

British audiences know him primarily from his Glyndebourne days (more than 400 performances).

In recent years he has won admirers among a younger generation at master classes in Aldeburgh and Manchester – and it is good to know he intends to return.

His birthday concert, attended by *le tout* Vevey and televised throughout Switzerland, was a pot-pourri designed to appeal to the widest possible audience, and yet it summed up the man and his artistry.

On stage, Cuénod has never pretended to be anything more than a character tenor but his gifts go much further. A selection of *Apollinaire songs by Poulenc*, followed by *Babar the elephant*, demonstrated undiminished powers of characterisation and timing.

His unaccompanied rendering of a fragment of Orlando di Lasso found him still capable of a long vocal line.

Like Peter Pears, Cuénod's trademark has always been his command of style and expression: what appealed was not so much the timbre of the voice, but what he did with it.

Judging by the rest of the Vevey programme, Cuénod remains young at heart. There were interludes of soul, jazz and contemporary dance. Michel Dalberto played Debussy, Nikita Magaloff a Fauré Impromptu. Nicolai Gedda offered Lensky's aria, revealing technique and artistry unimpaired, even if the tone has lost its bloom.

The event was staged in Vevey's *attractive little theatre, which after* lying shut for the best part of 20 years has just been given a SFr15m renovation (a quarter paid by Nestlé).

The other outstanding end-of-season event in western Switzerland was *Attila* at the Grand Théâtre, Geneva, with Samuel Ramey and Elizabeth Connell (which was broadcast live on Radio 3).

Ramey's prowess in the title role has helped re-establish this opera on both sides of the Atlantic over the past 10 years.

***His voice has the agile muscularity* to cover up Verdi's fitful inspiration – the cabaletta to his dramatic first act aria brought the house down, a rare accolade in Geneva – and he looks so good, with bare breast, pony-tale and fur cloak, like an amalgam of Noble Savage and Genghis Khan.**

But with Ramey, physique and *voice are everything: despite his* vast improvement as an actor, he still lacks the animal magnetism of a Raimondi.

Jérôme Savary's production, a succession of picturesque early Romantic landscapes first seen last year in Milan, offered an equally flattering platform for Miss Connell, who has now unmistakably settled into her prime in the dramatic soprano repertory.

Her high-voltage Odabella (which is to be repeated alongside Ramey at Covent Garden next season) has everything this fearsome role needs – *grandezza*, confident, declamatory attack and pearl-like mastery of line and decoration – and she moves remarkably well on stage.

With strong performances from Paolo Coni as Ezio and Michael Sylvester as Foresto, and lusty contributions from chorus and orchestra under Gabriele Ferro, *Attila* came across as an exciting foretaste of *Macbeth* and later operas, laced with the irresistible vitality of youth.

Andrew Clark

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

Concertgebouw 20.15 Jean-Claude Casadesus conducts the Orchestre National de Lille in an all-Ravel programme, including Bolero and the two piano concertos (Georges Pludermacher). *Tomorrow*, Sat and Sun: Mozart festival with Frans Brüggen and the Netherlands Radio Chamber Orchestra (6718 345)

■ BERLIN

MUSIC THEATRE

Komische Oper The season ends with Harry Kupfer's production of Carmen tonight, Johann Strauss' Eine Nacht in Venedig tomorrow and Offenbach's Barbe-bleue on Sat and Sun. The Offenbach performances are the final showing of Walter Felsenstein's staging, the last surviving production by the company's *founder*. It has had more than 350 performances since it was first staged in 1963 (East Berlin 2292 555)

Hebbel-Theater Opening on Sat, there will be seven performances of Una cosa rara, a comic opera by Vicente Martin y Soler, Spanish contemporary of Mozart (West Berlin 251 0144)

Theater des Westens The Blue Angel runs daily except Mon till Sep 6, with Ute Lemper and Eva Mattes alternating as Lola, the night club singer who captivates Professor Raat (West Berlin 3190 3193)

CONCERTS

Tonight in the Sophienkirche at *20.00, the Hilliard Ensemble* performs choral music by Gesualdo (West Berlin 853 2044). Tomorrow in Schauspielhaus: Ton Koopman directs Amsterdam Baroque Orchestra and Netherlands Chamber Choir in works by Caldara, Buxtehude and Bach. Sat: Jena Philharmonic Choir sings Nietzsche's Ode. Sun: Dresden Kreuzchor in Bach's B minor Mass (East Berlin 2090 2156). Next Wed in Sommergarten am Funkturm: Ringo Starr's All Starr Band (301 9999). Next Thurs: José Carreras open air concert (238 5550)

■ BUDAPEST

OPERA

The State Opera has Madama Butterfly tomorrow, Don Giovanni on Sat and a ballet evening on Sun. This month's repertory also includes a Bartók double-bill. The Lehár Orchestra gives a concert of popular Italian opera melodies at Pest Concert Hall, every Wed and Fri during the summer. Merlin Theatre (Gerloczy u 4) has English-language performances of two comic one-act operas entitled Stalin and Other Voices, opening on July 16. Il trovatore will be performed at the Margaret Island open air theatre on *July* 19, 21 and 24.

CONCERTS

Julia Hamari gives a song recital on Sat in the Dominican Court of Hilton Hotel. Gabriella Dala and Gabor Alszaszy give a recital for two pianos on Sun at the Old Academy of Music (Vorosmarty u 33). Next week's programme *includes concerts by the* Hungarian Virtuosi and the Budapest Wind Ensemble.

THEATRE

Round Theatre (Varosligeti krt) has Giambattista dell Porta's Italian renaissance comedy The Servant Girl tonight and next Mon to Thurs.

● Pre-booking for concerts at the National Philharmonic Booking Office (Vorosmarty ter 1) and for opera at the Central Theatre Booking Office (Andrassy ut 18), also at theatre box offices.

■ LONDON

THEATRE

● A *Midsummer Night's Dream*: the National Theatre's new Shakespeare production, directed by Robert Lepage, opens tonight in the Olivier, with Jeffery Kissoon as Oberon, Sally Dexter as Titania and Timothy Spall as Bottom. In repertory with George Farquhar's comedy The Recruiting Officer and Bernard Shaw's *Pygmalion* (071-928 2252).

● The Dybbuk: Katie Mitchell directs a new Royal Shakespeare Company version of Solomon Anski's play about a young Jewish woman in the Ukraine who is possessed by the spirit of the man who loved her. Currently previewing, opens next Tues (Barbican 071-638 8891).

● Murder by Misadventure: Edward Taylor's play about two crime writers whose search for the foolproof crime comes home to roost. Now previewing, opens on Mon (Vaudeville 071-836 9987).

● A Woman of No Importance: Philip Prowse directs Oscar *Wilde's social comedy in a* production first mounted by the RSC for its 1991 summer season (Haymarket 071-930 8800).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC AND DANCE

Covent Garden 20.00 Royal Ballet in Frederick Ashton's La Fille mal gardée, with Lesley Collier and Irek Mukhamedov. Tomorrow and Mon: Rossini's Il viaggio a Reims. Sat: ballet triple bill, including Les Sylphides and MacMillan's A Month in the Country (071-240 1066)

Coliseum 19.30 Australian Ballet production of Giselle, daily till Mon with an extra matinee on Sat. Next week: mixed bill including choreographies by Stanton Welch and Ninette de Valois (071-836 3161)

■ MADRID

The Teatro Lirico La Zarzuela ends its season with performances of Il trovatore tonight and Sat, with a cast headed by Kristian Johannsson. July 21-24 in Arena Las Ventas: Carmen with Domingo and Baltsa (429 8225)

■ NEW YORK

Avery Fisher Hall 20.00 Mostly Mozart: Janos Starker and Anton Nel join the Cleveland Quartet for a programme of string quintets and piano quartets. Tomorrow and Sat: Gerard *Schwarz conducts a programme* featuring Shura Cherkassky in Beethoven's Fourth Piano Concerto and Sumi Jo in Mozart concert arias. Mon: Tokyo and Shanghai String Quartets. Next week's soloists include Itzhak Perlman and Alicia de Larrocha (875 5030)

Carnegie Hall 20.00 Kurt Masur conducts the New York Philharmonic in an all-Tchaikovsky programme: Capriccio Italien, Violin Concerto and Fourth Symphony. There will be two more Tchaikovsky concerts next Wed and Thurs (247 7800)

Metropolitan Opera 20.00 Kirov Opera production of Boris Godunov, also tomorrow and next Mon, Tues, Wed, Sat and next Thurs: Queen of Spades. The season runs till July 18 (362 6000). Next Thurs at New York State Theater: opening of NY City Opera season with Cav and Pag (870 5570)

■ PARIS

DANCE

Opéra Bastille 19.30 Swan Lake, new production of Vladimir Bourmeister's 1960 choreography, with decor by Roberto Plate and costumes by Tomio Mohri. Runs till July 25, with five Etoiles of the Opera Ballet alternating in the role of Odette-Odille (4473 1300)

THEATRE

● Ionesco festival: Théâtre de Neuilly has Rhinoceros tonight, tomorrow and Sat, followed by Tueur sans gages (The Killer) opening next Thurs (4745 7580). Tourtour (20 rue Quincampoix) has Délire à deux (Delirium for two), daily except Sun and Mon (4887 8248).

● Bal masqué: Mikhail Lemontov's drama tells the tragedy of a man who murders the wife he adores because he suspects her of infidelity. Directed by Anatoli Vasiliev.

In repertory with plays by Molière and Beaumarchais at the Comédie Française (4015 0015).

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ ZURICH

The Nigel Kennedy Ensemble gives tonight's concert in the *Tonhalle, featuring music* by Bach, Kreisler, Miles Davis and Jimi Hendrix This is the final concert of the season (206 3434)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN

2000-2030, 2300-2330 World Business Today – a joint FT CNN production with Grant Perry and Colin Chapman

Super Channel

0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV

2130-2200 *(Tues) Media Europe* – what's new in European media business

2130-2200 (Wed) FT Business Weekly – global business report with James Bernm

0830-0900 (Thurs) Media Europe

2130-2200 (Thurs) FT Eastern Europe Report

0830-0900 (Fri) FT Business Weekly

Sky News

0130-0200 (Mon) 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN

0900-0930 World Business This Week - a joint FT/CNN production

1900-1930 World Business This Week

Super Channel

1930-2000 FT Eastern Europe Report

SUNDAY

CNN

1030-1100, 1800-1830 World Business This Week

Super Channel

1800-1830 FT Business Weekly

Sky News

1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday July 9 1992

Stabilising Europe

TODAY IN Helsinki, President Boris Yeltsin, with six of the seven world leaders who confronted him in Munich, will be joined by those of 44 other member states of the Conference on Security and Co-operation in Europe (CSCE). From the dispiriting contemplation of the world economy they will turn to the even more alarming spectacle of conflict spreading rapidly across the former communist world.

The "new era of democracy, peace and unity", proclaimed at the last CSCE summit in Paris less than two years ago (when there were only 34 members), can hardly yet be said to have fulfilled its promise. The deliberately light institutional structure set up at that time has been powerless to prevent the outbreak and gradual extension of war in the former Yugoslavia. In fact, it assigned responsibility for attempting that task to a supposedly more solid entity, the European Community, which has done much but achieved all too little.

But the CSCE did make one decision yesterday which should help to define its future role: by refusing for the time being to admit the new "Yugoslavia", it affirmed its character as an organisation based not on universality (like the UN) but on a community of values. A state that fails to respect those values cannot expect to participate as of right.

But the biggest test of the CSCE's effectiveness will be the multiple conflicts now erupting in the former Soviet Union, described in detail in an article on this page. The most dangerous of these involve Russian minorities in non-Russian republics; and indeed practically all the violent conflicts now visible or predictable in central and eastern Europe concern national minorities – people who feel threatened by their inclusion in a state which does not respect their national identity, and yet are often denied their rights by that state precisely because it regards them as a threat to its integrity.

By far the best way to defuse such conflicts is by convincing both sides, before they come to blows, that their security can be better ensured by negotiation and agreement than by secession or the use of force. The new CSCE Commissioner on National Minorities should be able to achieve that, in some cases, by ensuring that minority problems are taken seriously before they erupt into outright war.

The Helsinki document also makes important and detailed provisions for peacekeeping forces, and formally proclaims the CSCE a "regional organisation" under Chapter VIII of the UN Charter. But none of this is likely to achieve stability in the volatile conditions which now prevail. The organisation needs to acquire some of the clout which has lately been given to the UN by the leadership of the Security Council, with its five permanent members. In 1989-90, some leaders of newly free central European countries proposed something like this, but were firmly rebuffed by Nato. In the light of present conditions, the idea should be looked at again.

Health for all

FOR TOO long, the UK National Health Service has been failing to live up to its name. It has been an ill-health service, devoted to curing conditions which might have been prevented by promoting healthier life-styles. Yet some of the greatest improvements in the nation's health have come from simple environmental improvements, such as cleaner water and better diet.

Yesterday's white paper on the health of the nation sets out a strategy for moving health promotion up the agenda, which will begin to shift the emphasis from cure to prevention. It identifies five priority areas on which resources will be concentrated, including coronary heart disease and strokes, the main causes of preventable, premature death. In each priority area, clear targets are set for reducing their incidence, with detailed programmes for achieving the targets involving all the relevant agencies.

There will be widespread support for this approach, especially the adoption of clear and measureable targets by which progress can be judged. Debate will no doubt continue over the wisdom of individual targets or the efficacy of particular policy measures. The halving of pregnancies among girls under 16 is a particularly bold aim, and the means for achieving it – through sex education and improved family planning – are likely to be controversial.

In implementing this strategy, the government will be assisted by its health service reforms, which have strengthened the strategic planning role of local health authorities. The white paper sensibly proposes improvements in the provision of information on how the national objectives are to be implemented locally. It also promises to monitor progress. While periodic reports are promised from the health department on progress, there is a case for these to be published annually, with rapid measures to prod backsliding authorities into action.

Two omissions from the white paper have attracted criticism. The first is the failure to ban all tobacco advertising. While there are reasons for not introducing a total ban, there is scope for further restrictions, particularly if evidence emerges that advertising encourages young people to take up smoking. Meanwhile, the level of excise duties on tobacco should be raised by significantly more than the rate of inflation each year. Removing tobacco products from the basket of goods used to measure inflation might make this step more palatable for chancellors committed to low inflation.

The second is that it overlooks the now well-established correlation between ill health and poverty. One consequence of failing to address this issue could be that health promotion campaigns, to persuade people to adopt healthier lifestyles, overlook the underlying causes of bad diet and poor housing. That is a most unfortunate omission in seeking to create a true health service.

G7 poverty

"I DON'T know that there's enough money in the world to solve the problems of the Russian economy," said Mr George Bush in Munich yesterday after the summit of the Group of Seven industrial countries. He was right: money is only a part of the solution to Russia's problems. Mr Bush was also right in a broader and unintended sense. The leaders of the Group of Seven did demonstrate poverty in Munich. But it is not resources they lacked. It was vision.

The G7 failed to rekindle the flame of global macro-economic co-ordination; it failed to promise anything new for Russia and the rest of the former Soviet Union; it failed to bring urgency to the task of rendering the nuclear plants of the former Soviet Union any safer; and, despite Mr John Major's creditable efforts, it failed to bring a resolution of the impasse in the Uruguay Round of multilateral trade negotiations closer.

The meeting may not have done much harm, but could it not have done some positive good? More macro-economic co-ordination might not be appropriate, given the legitimate divergences among the G7. But on trade and the closely connected issues of assistance to the former Soviet Union and eastern Europe more should and could have been offered.

Are the G7 nations really too poor? Their combined gross domestic products were a little less than $14 trillion in 1990. Total G7 government outlays in that year were more than $5 trillion, while total spending on defence, largely against the former Soviet Union, was about $500bn. Even in the case of the US, aggregate GDP has risen fourfold since the late 1940s, when it contributed a far higher share of GDP to the Marshall Plan than anything contemplated today. The resources are there. What is missing is the sense of priorities.

The same applies to trade. This time the commitment offered in London in 1991 and the year before in Houston is missing. The G7 simply expects that "an agreement can be reached before the end of 1992". Anyone might well expect such a thing. But the G7 could ensure it, which is what makes the continued failure so depressing.

The G7 calls on the countries of the world – not least those of central and eastern Europe and the former Soviet Union – to move to a market economy. In all these cases, the required adjustments have been very large. By comparison, the adjustments that would be imposed on the G7 countries by trade liberalisation far greater than on offer in the Uruguay Round would be relatively modest.

The countries of the G7 do have the resources and the capacity to meet the by no means overwhelming challenges of today. But the leaders have not shown the needed ability to lead. If they continue to fail, it would not be surprising if the peoples of some of the G7 countries were to start looking for another bunch of leaders.

Painful legacy of an empire

Conflicts around Russia's periphery have great significance for the former Soviet states and the west, writes John Lloyd

The withdrawal of Russia to within its current borders is as painful and as fraught with danger as any of the great imperial retreats of the past century. No empire has collapsed without blood: Russia's experience is proving no exception.

Around the periphery of the Russian federation, a series of conflicts has erupted and potential flashpoints are simmering. Small wars they may be – but with a large significance for the states of the former Soviet Union, and for the international community.

The disputes threaten the fragile post-Soviet consensus that existing borders, no matter how historically unjust, are inviolate. They raise the prospect of intractable conflicts and are courting intervention from Russia. For its part, Moscow is taking a more aggressive stance over the protection of its interests and Russian minorities.

This week the disputes are being placed firmly on the international agenda. The Commonwealth of Independent States has called for a peace-keeping force to restore order to some of the trouble spots. The Conference on Security and Co-operation in Europe – the forum for discussion of security issues including the US, west and eastern European states – will today hear demands from some of the republics of the former Soviet Union for the immediate withdrawal of Russian troops.

There are five main areas of tension, mainly outside Russia.

In the three Baltic states of Estonia, Latvia and Lithuania, 130,000 Russian troops serve in what was one of the easier billets of the Soviet Army. Tensions have risen to the point where Mr Douglas Hurd, the British foreign secretary, described the area in a speech last month as "potentially more explosive" than Yugoslavia. Mr Boris Yeltsin, Russia's president, yesterday promised to withdraw troops from the Baltic states by the middle of 1993 though the Baltic leaders remain sceptical in the face of previous promises to withdraw.

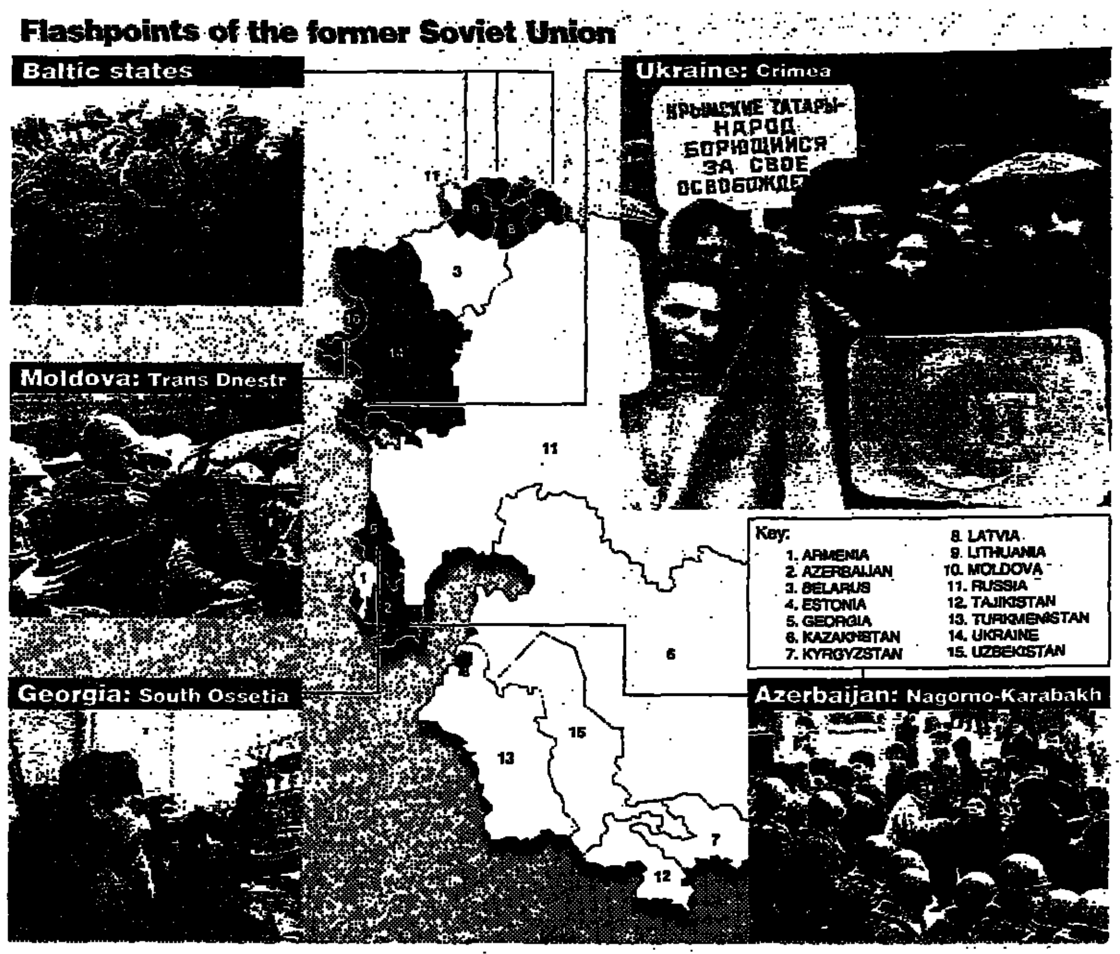
Mr Audrius Butkevicius, the young Lithuanian defence minister, is more persuaded by General Yuri Kalininchenko, former head of the border guards for the Commonwealth of Independent States, who told him that he and his colleagues regarded the Lithuanian border with Poland as the western border of Russia. "Russia sees us as part of their strategic area: they are quite firm on this," said Mr Butkevicius.

In the Republic of Moldova, a war is raging between regular Moldovan forces and forces acting in the name of the self-proclaimed republic of Trans Dnestr, an area on Moldova's eastern border inhabited largely by Russians and Ukrainians. The region has declared independence from Moldova, citing fears that the government is seeking to unite with neighbouring Romania. Before the second world war, most of Moldova was part of Romania, and native Moldovans are ethnic Romanian.

On Tuesday, the Moldovan government asked for a multinational peacekeeping force to quell the conflict. But early yesterday, reports from Trans Dnestr indicated that the ceasefire that had been called to allow this force to operate had already broken down.

The Russian 14th army, with around 15,000 troops, operates on the side of the Trans Dnestrians. In spite of Mr Yeltsin's promise, it is not being withdrawn. Both Mr Vladimir Lukin, the Russian ambassador to the US, and General Dmitri Volkogonnov, Mr Yeltsin's military adviser, have emphasised this.

Flashpoints of the former Soviet Union



Mr Yeltsin won acclaim in Trans Dnestr when he appeared to support a Russian intervention in search of a settlement. But he does not control the Trans Dnestrians, and he will not be able to to stop them fighting. Asked how he would respond to an order from the Russian president to withdraw, Mr Vladimir Dmitriev, a 14th Army APC driver, said: "I have 10 boxes of ammunition and each box contains 10 rounds. I hope I will kill one Romanian [Moldovan] with each one, no matter what Yeltsin says."

The Caucasian republics of Armenia, Azerbaijan and Georgia are all – in varying degrees – internally unstable and engaged in inter-ethnic hostilities. The oldest of the conflicts, that between the Armenian population of Nagorno-Karabakh and the Azeris who surround it, has been the subject of half a dozen peace plans, all failures. The two month-old Azeri government of President Abulfaz Elchibey seems more determined to prosecute the conflict than the previous regime. Efforts by Italy to mediate between the two sides ended in failure earlier this week.

In Georgia, the government of Mr Eduard Shevardnadze survived a coup attempt last month by supporters of the previous president, Mr Zviad Gamsakhurdia. But Mr Shevardnadze has, it seems, no power to stop his militia pursuing the war against South Ossetia, an area in the north of the republic, where the population is demanding unification with its kin in the Russian republic of North Ossetia.

Although Mr Yeltsin and Mr Shevardnadze agreed a truce, the Ossetians – north and south – rejected it. The Georgian forces are now closing in on the partly destroyed Ossetian capital of Tskhinvali. Mr Alan Chachiev, deputy leader of the South Ossetian parliament, said last week that he would call in forces from the Caucasian peoples in Russia to his aid if Russia itself did not support him: "Russia is betraying us, so we will bring the war to Russia."

Even where agreements have been reached, they are fragile and untested. The summit meeting last month between Mr Yeltsin and Mr Leonid Kravchuk, president of Ukraine, was described by both men as a breakthrough. But it was a breakthrough that ignored the question of Crimea, Ukraine's southern region on the Black Sea with a majority Russian population. The region has been reclaimed by the Russian parliament in a decision that annulled its arbitrary transfer from Russian to Ukrainian jurisdiction in 1954.

This dispute dwarfs all others in its scope and strategic implications. Both Russia and the Ukraine are seeking to play down the issue while they attempt to stabilise their economic relations. Mr Yeltsin and Mr Kravchuk have, for example, agreed to co-operate on the introduction of a Ukrainian currency in three months' time. But both may be pressurised by their nationalists into reviving the dispute.

Although most apparent in Crimea and the Ukraine, Russia has an interest in all of these disputes. The immediate reason for its involvement is also the most keenly felt: the perceived need to defend Russian minorities.

There are about 25m Russians and Russian speakers who, for the first time since their rulers began the steady conquest of neighbouring peoples more than two centuries ago, find themselves outside the borders of Russia proper, and subject to the laws of other independent nations. They are suffering: there are Russian-speaking refugees streaming back into Russian towns from the Caucasus and from Moldova; they have been excluded from voting in a referendum on the constitution in Estonia; they are regarded with suspicion everywhere. In Vilnius, the capital of Lithuania, the statue of Russian national poet Pushkin was recently removed from its plinth.

This new vulnerability is keenly felt by a people brought up in an era of great power and self-confidence. Mr Oleg Rumyantsev, the young leader of the Russian social democrats and the head of the parliament's constitutional commission, said: "You must understand, this is not a cause just of the political right, but of all Russian parliamentarians. It is the most important cause we now have."

The Russian cause also involves rights to land and assets. Moscow's claim to the Crimea is partly a demand for the Black Sea naval fleet, most of which Russia wants for itself.

The determination with which Russia is pursuing its claims throughout the territories of the former Soviet Union is increasing. General Alexander Rutskoi, Russia's vice-president, has continually pushed for a stronger and more interventionist posture on the part of the Russian military. When Mr Yeltsin was in North America last month, Gen Rutskoi warned his fellow countrymen of the need for a tougher stance, and was backed by his president on his return.

A week ago, two generals with strongly nationalist sympathies were appointed to senior posts: General Alexander Lebed as head of the 14th Army in Trans Dnestr and General Boris Gromov as deputy defence minister. As soon as Gen Lebed took up his appointment, he described the Moldovan government as "fascists" and made clear his determination to defend Trans Dnestr. In addition, General Pavel Grachev, the defence minister, has grown increasingly categorical – claiming the army's right to intervene across the former Union, and warning last week that the perpetrators of attacks on Russians or Russian speakers would be "brought to account".

In their pronouncements, these men blur the distinction between protection of Russians and protection of Russia's perceived strategic interests – in their mind, there is no clear division. For them, most of the new republics are tiny statelets which must accommodate the imperatives of a great-power neighbour. They resist the withdrawal of Russian armies from the bases they occupy across the former Union.

Mr Yeltsin's views on the stationing of Russian troops have also been equivocal. Last month, he promised President Mircea Snegur of Moldova and President Vytautas Landsbergis of Lithuania that he would withdraw the armies from their countries, but nothing has since happened. Either he has acted cynically or he has not been able to deliver. In either case, Russia can be expected to continue its shift towards a more assertive stance.

This means that the west may soon be faced with hard questions itself: how far does it tolerate its new-found friend again imposing a Russian hegemony on the area; and how much suppression of national autonomy can be blinked at in the name of peace? And the international community could have to decide whether to recognise – as the Russians are now demanding – enclaves like Trans Dnestr, Ossetia and Crimea as independent states, thereby alienating the states of which they are presently part.

BOOK REVIEW

Giving might to rights

Labour's fourth election defeat in a row has inspired a new bout of introspection on the political left in Britain. Central planning is discredited; state ownership has few friends; liberalisation and deregulation are more in tune with the spirit of the age. What can social democrats and democratic socialists offer to challenge the apparent triumph of liberal capitalism?

THE WELFARE OF CITIZENS
Edited by Anna Coote
Institute for Public Policy Research/ Rivers Oram Press.
£22 hardback, £9.95 paperback.
200 pages

Some claim that the answer lies in constitutional reform, terrain already well staked out by the Liberal Democrats. Others follow the German social democrats in seeing the environment as the new battleground between unrestrained market forces and human development.

This intriguing book from the left-leaning Institute for Public Policy Research (IPPR) suggests a third option: a new form of citizenship based not just on democratic rights but also on economic and social rights. The contributors examine the case for such rights and explore the scope for embodying them in a legally enforceable charter.

The argument runs as follows: political freedoms are meaningless if all they amount to is "freedom from" interference by others. The only purpose of such negative freedoms is what they permit individuals to do. But if individuals lack the resources to make use of their political freedom, they are not free at all. Creating "freedom to" requires rights to health, education and welfare so that individuals can use their political rights to pursue worthwhile goals.

The case for positive rights is not, of course, new. Mr Roy Hattersley, the deputy leader of the opposition Labour party, has used it for the past decade as the centrepiece for his arguments in favour of greater equality. But it is given a new twist in the IPPR book with the argument advanced by Professor Raymond Plant, chair of Labour's commission on electoral reform, that if welfare rights are to be meaningful, they must be conferred upon individuals who should be given powers to enforce them.

This marks a significant break with the left tradition that welfare should be provided collectively through the state. Professor Plant accepts the "public choice" critique which focuses on the alarming tendency of "democratically accountable" services to be captured by their producers. He is prepared to consider a wide range of alternative ways of enforcing rights to welfare, which empower individual citizens to make their own choices within a framework which guarantees economic and social rights.

One option would be to embody such rights in law – to prescribe basic standards of health care, social security and housing for example. Attempts to create legal entitlements to economic rights are notoriously difficult to pull off, however. International charters which make the attempt are inevitably vague about the detail and well-larded with exclusion clauses ("as resources allow", and the like). They also have a tendency to provide at least as much work for lawyers as help for the disadvantaged.

The alternative strategy is to go for procedural rights – rights to fair treatment for individuals who use welfare services. This approach clearly attracts the IPPR, which devotes much of the book to devising principles of procedural fairness and applying them in specific services such as social work and health care. The discussion is fascinating, particularly in the detail – for example, how to reconcile the rights of children and parents in child-abuse cases.

However this emphasis on procedural rights looks very similar to what Mr John Major, the UK prime minister, is up to with his Citizen's Charter. That, after all, is an attempt to provide a set of such rights for users of public services, including information about quality targets and compensation when things go wrong. Is the IPPR's approach any different?

The book argues that Mr Major's system of charters is a cosmetic attempt to hide deficiencies in underfunded public services. More tellingly, it says that the provision of essential public services cannot be reduced to the sort of simple consumer model envisaged by some supporters of the Citizen's Charter. Collective action is needed to decide on levels of provision and to ensure equal access to health, education and welfare.

But perhaps the truth is more prosaic: we are all charterists now. Outside the ranks of a few die-hard libertarians, agreement is widespread that there are core public services which cannot be privatised and must be funded by the exchequer.

In the absence of appropriate incentives, centrally-funded services will undervalue the needs of the users. Charters which give the users rights to bang on the table and extract compensation for bad service are one way of redressing the balance. Whether they provide Labour with the means to seize back the initiative on the welfare state is another matter.

John Willman

ECONOMIC VIEWPOINT

An appreciative view of the French franc

By Samuel Brittan

The image of France in recent days has been dominated by blocked roads and railways. Added to these troubles are the political problems of François Mitterrand and the president's truculent attitude to agriculture and the Gatt negotiations, which resembles on a larger scale the British make-work attempt to preserve the European Fighter Aircraft. In one case, the French president is trying to preserve unviable farm employment. In the other case, the British government wants to subsidise aircraft jobs rather than promote market-oriented employment.

There is, however, another side to the French economy associated with low inflation, competitiveness and an increasing role for market forces. Too much emphasis has been placed among searchers for a European economic model on Germany, which has been lurching away from a social market economy under the domination of interest group politics.

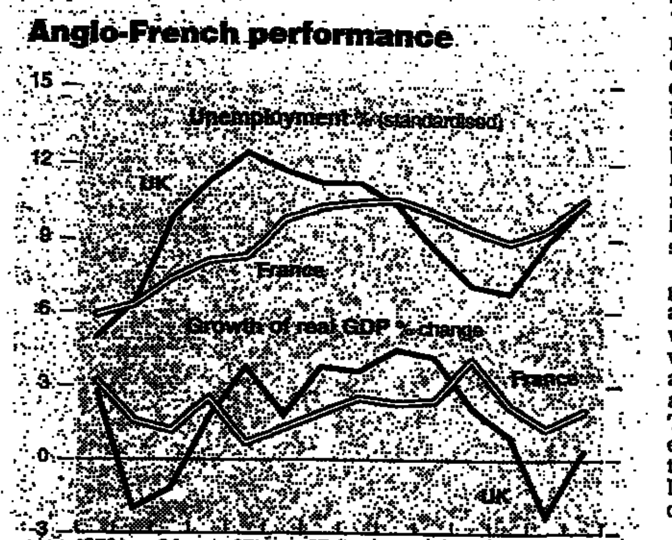
The exchange rate mechanism (ERM) was not deliberately constructed by the former leaders Valéry Giscard d'Estaing and Helmut Schmidt in 1979 as a German anchor to hold down French inflation. But when it worked out like that, French leaders, as good pragmatists, were happy to embrace it. In contrast, Britain did not join until October 1990 after a bitter and prolonged debate, which shows no sign of dying down. It joined when German interest rates were about to soar, in time to experience the costs of ERM membership. But it has not been inside the system nearly long enough, or in a fortunate enough period, to enjoy the benefits.

How do the track records of the two countries compare? On inflation, France wins hands down. In a report on France, published today, the Organisation for Economic Co-operation and Development (OECD) points out: "There is no major disequilibrium in the way of French recovery. The household sector is not unduly indebted by international standards, liquidity is adequate and overall balance sheets seem to be healthy. Competitiveness continues to improve as increases in wages and prices have been kept below rates in most other countries."

The current account deficit – for what it is worth – is a much smaller proportion of gross domestic product (GDP) in France. On a comparable basis the French budget deficit is half that of Britain's; and most of what fiscal deterioration there is can be explained by the business slowdown.

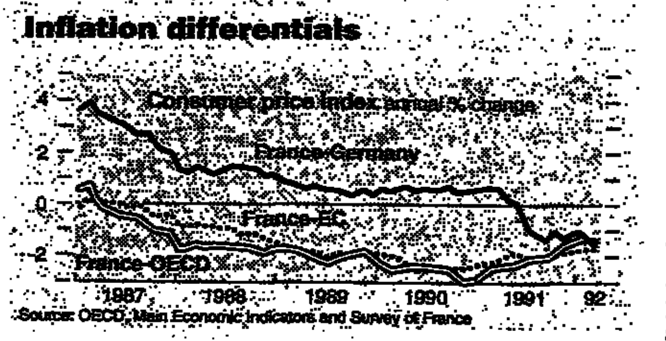
In terms of consumer prices,

Anglo-French performance



Source: OECD

Inflation differentials



Source: OECD, Main Economic Indicators and Survey of France

French inflation has been below the German level for a year; in terms of the more fundamental GDP deflator, it has been below it for two years. The OECD expects French consumer price increases to fall further from 3 per cent to 2¼ per cent next year.

But has not France paid a heavy price for reducing inflation via its link with the D-Mark in terms of lost output and jobs? The chart suggests that there is little to choose between Britain and France on average performance.

But one difference stands out. Both growth and employment have been far more stable on the French side of the Channel. The recessions of both the early 1980s and the early 1990s have – so far – been much less severe there. France was also spared the very high peaks and unsustainably low troughs that have been such a feature of the British unemployment scene.

The immediate prospect is also less unfavourable in France. Growth dipped in 1991 to 1 to 1½ per cent. At least it was still positive. The OECD expects French output to rise by 2 per cent this year, compared with barely more than zero in the UK.

Even the modest growth recorded in 1991 has placed France in the upper half of OECD countries for the fourth year in a row, and the unemployment rate has risen no faster than elsewhere in Europe or in other OECD countries.

Obviously, the current jobless rate of more than 10 per cent is too high, in both France and Britain. The OECD report examines the question carefully and concludes that the high French unemployment rate is due to labour market failure, and is neither caused by, nor can be cured by, exchange rate or other financial policies.

The French franc is near to attaining independent credibility as a low inflation currency

It is easier to make this case in France where unemployment is endemic rather than in Britain where it is more clearly linked with the business cycle downturn, which the so-called "authorities" are powerless to fight with lower interest rates.

Of course, there is a black-red coalition in France as well as the UK which sees the ERM as the root of all evil. But the argument does not dominate the economic debate as it does in Britain. The OECD stresses: "A cheaper franc would not do much to stimulate exports either, given the likely effect on domestic wages and prices. In any case, the logic of the strong franc policy has always been to promote competitiveness through cost moderation rather than to ratify agents' inflationary wage and price setting through devaluation".

Not everything in the French garden is lovely. Indeed, there are lessons from France on what to avoid. What has gone wrong stems more from aspects of social policy than anything to do with the ERM. The supply side of the French economy is held back not by the ERM but by a corporatist legacy, evoked by the OECD's own talk of "social partners".

Very high spending on labour market programmes has not helped job prospects. Unemployment is particularly concentrated among females and younger or older workers who "suffer from a lack of adequate incentives to price themselves into work". The "floor on the cost of taking on an employee set by the minimum wage and social charges may limit employment of youths especially the least educated".

Indeed, there is a warning in the OECD report about the harm done by an excessively academic educational system, which gives rise to misplaced envy elsewhere.

There is talk in British establishment circles of the possible need for an agonising reappraisal policy in a year's time if German interest rates are still acting as a drag on the European economy. It may then be worth considering a direct link-up with France. An incidental benefit of that, often stressed by Lord Cobbold, is that by a happy coincidence of currency units, the freezing of the franc-sterling rate at 10 for one has long looked attractive.

The doubt thrown over the Maastricht treaty by the Danish referendum has postponed the chances of an attempt by either France or Britain to reduce interest rates below German ones, and some clarification of the French political scene may be required first.

Nevertheless, France is much nearer being able to set the pace of ERM interest rates than the UK is. Having used the D-Mark as an anchor, the French franc is near to attaining independent credibility as a low inflation currency. There is a hint in the OECD report that French interest rates could eventually follow their own path below German ones – but only on the assumption of there being some prospect of a franc appreciation.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Total value better than earnings per share

From Mr Gareth Stainer.

Sir, The view of Sir David Tweedie, chairman of the Accounting Standards Board, is that earnings per share is a poor gauge of underlying corporate performance ("Shareholder group calls for changes to stock option plans", July 6) and Lex observes ("UK accountancy", July 6) that market multiples are meaningless if EPS is recognised as unreliable.

The most direct historical measure of medium-term corporate financial performance is the total value (dividends and capital growth) that the company has created for its shareholders.

Shareholder value creation can readily be measured as the return on £100 invested in the company between two dates. The performance can be shown relative to the All Share or specific sector indices; it can be compared directly on the same basis with competitors' performance; and it can also be adjusted for the relative riskiness of a share.

A few companies in the US use shareholder value creation as their prime performance measure (eg Quaker Oats). It has always been a source of some amazement to me that it is never used in UK company reports. It is, after all, the direct measure of the performance that interests the shareholder, and for which he invests.

A well-developed set of concepts and much practical experience now allow companies to link economic value creation within the business with the creation of shareholder value. It is therefore possible to integrate this external measure of corporate financial performance with key internal measures of company performance covering both the profit and loss account and the balance sheet. Value-based management thus has a comprehensiveness and coherence that EPS is unable to achieve.

Economic value is created by the effective exploitation of sustained competitive advantage. Value is driven by cash returns which consistently exceed the company's cost of capital. The new approach escapes the emphasis on short-termism which has been characteristic of management's pre-occupation with EPS growth.

Gareth Stainer,
partner,
Coopers & Lybrand,
128 Queen Victoria Street,
London EC4P 4JX

Banks can mitigate high cross-border transaction costs

From R C Bullen.

Sir, Mr Alan Mackie (Letters, July 7) has reason for complaining about the cost of his Anglo-French transaction when he had a £180 cheque cashed on a French bank. However, for banks to handle one-off transfers without notice involves them in much manual handling.

Perhaps if Mr Mackie had enquired beforehand about the most cost-effective way of making this transaction, he would have avoided at least some of the cost he actually bore.

Opening up the Automated Clearing Houses (the equivalent of BACS in the UK) around the EC to all EC-registered banks, as should happen when the Second Banking Directive is implemented on January 1 1993, will enable banks to improve their cross-border payment services quite markedly, at least for repeat business. In fact, several UK banks, Barclays included, have already done this, using ACHs for more effective transmission.

Perhaps because cross-border payments form such a small part of the overall payments made up by most individuals and businesses, many people do not know how best to use the banks. It is usually worth inquiring before making the transaction. At the very least, the admittedly steep costs can be revealed, if there is no way of avoiding them.

R G Bullen,
transborder services director,
Barclays Global Payments,
PO Box 120,
Longwood Close,
Westwood Business Park,
Coventry CV4 8JN

Students' search for employment

From M J Payne.

Sir, I read with some deep concern the recent article ("School's out – and nowhere to go", June 6) regarding the number of graduate students that are unable to find work six months after graduation and their low starting salary expectation.

Our statistics show a different story. I can find no recent graduate willingly out of work and our statistics indicate an actual average starting salary in excess of £18,000 per annum. Perhaps one can suggest that companies are becoming more selective, and are focusing on students most able to offer quick effectiveness in new jobs.

Our graduates, with fluency in three European languages, experience of four different commercial organisations – two at least outside the UK, and a sound knowledge of business functions and subjects – provide a well rounded individual well able to contribute from day one.

Graduates have received a four-year training in presentation skills. The total mix is aimed at producing managers that can perform and use the theory they have learnt - and this, after all, is what business keeps saying it wants.

M J Payne,
chairman,
European Business School,
Regent's College,
Inner Circle,
Regent's Park,
London NW1 4NS

British Rail should concentrate on improving track utilisation

From Mr F Arthur S Francis.

Sir, There may be many good reasons for subsidising British Rail but Richard Tomkins' suggestion ("A long haul to privatisation", July 1) that it should be done in order to level the playing field between rail and road is not the strongest.

For the past 16 years I have commuted between Oxford and London. Most of this has been done by train. Occasionally I have used the bus. British Rail's most significant cost problem is exemplified by the view from the window of the Oxford-London bus at Hanger Lane in the morning rush-hour. As the bus crawls nose-to-tail on a jam-packed, three-lane road one has several minutes to observe acres of empty railway track. Only occasionally does one see a train making use of this expensive facility. Similarly, one can stand on Reading or Didcot stations for many minutes at a time without seeing a moving train. Meanwhile the M4, a few miles away, carries a constant stream of traffic.

Railway officials have defended to me this low track utilisation with talk of congested nodes and signalling constraints. Heathrow airport, by contrast, dealing with even faster moving traffic, sends aircraft down runways only seconds apart.

I am sure we should continue to support, and subsidise, British Rail. But one effective way of reducing expensive track costs must surely be to increase the utilisation of that track. I have a dream that I shall one day return to Oxford to find short, comfortable trains leaving for Paddington six times an hour (the present level of provision by the bus services) and costing me substantially less than five times the bus fare (the present price differential at peak times).

F Arthur S Francis,
professor-elect of
corporate strategy,
Glasgow University
Business School,
Glasgow G12 8LF

OBSERVER

Howdo, pardner?

■ The success rate of husband-and-wife teams in retailing is scarcely one to threaten wholesale redundancy among marriage guidance counsellors.

Admittedly, Body Shop's Anita and Gordon Roddick appear to have made a triumph of both business and married life. But they are very much the exception. Compared with their results in partnership, some couples seem to do better apart.

Hence there is more than usual interest in what will happen to Liz and George Davies – the former dream team that used to run Next. Having lost their company in a 1989 boardroom coup and sacrificed their marriage, they are now going their separate ways.

George, who is a good 10 years older than his ex-wife, seems to be doing quite well designing casual clothes for Asda. But not a lot has been heard about his new "Magalogue" – a combination of magazine and catalogue – which was launched with great fanfare earlier this year.

Early days yet, but some retailing analysts believe that 39-year-old Liz is a better bet than her husband over the long-term. Yesterday, she popped up as buying director at Mothercare, a Storehouse subsidiary. "She is the sort of person who gets on and does things, whereas George just makes a lot of noise," was the verdict of one City figure.

Volunteer

■ Good to see the Bank of England is more than pulling its weight when it comes to helping out east of the Urals. Senior official Tony Latter has just flown to Kiev for nine months as special adviser to Vadim Hetman, governor of the Ukrainian central bank.

Latter, a top bobbin in Threadneedle Street's international division, was once Hong Kong's deputy secretary for monetary affairs. One of 15 or so people at the Bank who speaks Russian, he will spend his time advising Hetman on organising banking supervision and contacts with other central banks. A prime task will be helping to introduce the hryvnia, the new Ukrainian currency due to come into force next year.

Since Latter volunteered for the stint in Kiev, where life is less than settled at the moment, he clearly has a taste for adventure. But it's to be hoped he also has a head for strong liquor.

During evening meetings, the deceptively quiet but extremely assiduous Hetman thinks nothing of downing a glass or two of vodka.

What's more, he expects colleagues to match him drink for drink.

Expert advice

■ There should be more charities around like the Rowntree Foundation, which is behind yesterday's damning report on the government's mortgage rescue scheme. It has probably made a bigger contribution to solving Britain's housing crisis by researching it in a dispassionate way rather than trying to relieve the problem by giving all its money to good causes.

In terms of research, the £6m a year it spends on looking into housing and other social issues is a lot of money, whereas it would not build many houses. Under Richard Best, who took over as director after Robin Guthrie left to be chief charity commissioner, it has made a big push to disseminate its views more widely. As a former director of the National Federation of Housing Associations, Best has the sort of background which commands respect from all sides of the housing debate.

"I'm very concerned about the economy – I haven't the faintest idea where it is"

Front runner

■ The Battle of the Elliotts is being waged in Rotherham, Yorkshire. Should Olympic athlete Peter Elliott be honoured with one of the plaques to be put on the houses where the town's most famous offspring were born; or should the honour go instead to Ebenezer of the same surname?

True, Peter is the more famous and is backed by the borough's Conservative councillors. But in this contest, at least, he looks bound to be an also-ran. For, although Ebenezer broke no world records, he left his mark on 19th century literature with verses such as:

What is a communist?
One who hath yearnings
For equal division
Of unequal earnings.

Moreover, his candidature is backed by Rotherham's Labour councillors who outnumber their Tory counterparts by 64 to two.

Summiteers

■ While world leaders are debating the best way to achieve currency stability for the former Soviet Union, ordinary Russian citizens are taking matters into their own hands. Some Muscovite friends of Observer funded a recent trip to London with a currency even harder than the D-Mark – the titanium ice screw.

Though not economists, they had intuitively grasped that this simple piece of mountaineering kit has many of the marks of a stable medium of exchange: lightness, portability, intrinsic value by dint of the base metal content, and – if you mix in the right circles – near universal acceptance as payment.

They had also grasped the first principles of cross-border arbitrage: titanium ice screws retail in the UK at upwards of £20 but are available in Russia at a fraction of the cost.

Smokelore

■ An Indian takes a trip from his reservation to a Las Vegas casino. But his luck is out, and he loses every cent. There being no telephones on the reservation, he puts out a smoke signal: "Send money, send money, send money...". Alas, it happens to be a day when the Atomic Energy Authority is testing at nearby Yucca Flats, and his message is almost obliterated by a great mushroom cloud.

Even so, he is soon rewarded with word from home. "Sending money, sending money, sending money..." comes the signal back.

"And there's no need to shout."

FINANCIAL TIMES
Thursday July 9 1992

Traffic starts to flow as authorities count the cost of truck strike

French police break up blockades

By William Dawkins and Alice Rawsthorn in Paris

THE FRENCH government broke the back of the 10-day truck strike yesterday as riot police escorted most of the protesting drivers away from motorways and made further arrests.

Traffic started to flow again on most main inter-city routes by mid-afternoon, but motorway organisations warned that it would be several days before roads were back to normal.

The end of the blockade comes as 5m French and foreign tourists are expected to drive across the country in the next few days.

The strike, over tough new driving regulations, has cost the tourism industry, France's biggest foreign exchange earner, FFr1bn ($196m), Mr Dominique Strauss-Kahn, the industry minister estimated.

He was considering aid for farmers whose produce had been wasted, and for small businesses, which had suffered more than big companies.

The government persuaded drivers to lift the blockades with a mixture of threatened and real force, together with negotiations to ease the impact of the new rules, under which drivers risk being banned after getting six penalty points.

Lorry drivers argue that many risk losing their jobs because the long distances they drive mean they cannot avoid losing points.

Riot police started removing roadblocks peacefully on Monday, but started to use force as they stepped up their campaign on Tuesday. By early yesterday the truckers had started to drive off voluntarily, following the previous day's accord between the government, unions and truckers' organisations on pay and working conditions.

French trucks start to leave a roadblock at Fontainbleau they had maintained for 10 days

As a mark of the international impact of the strike, the Belgian government announced that it would review the application of its own proposed points system, contained in a 1990 law which has yet to be put into effect.

The Spanish government, estimating losses in agriculture and tourism at around Pta3bn ($31m), sent France a formal note of complaint on Tuesday and said it would seek compensation.

Spain's National Farmers' Union estimated that farmers had lost Pta6.2bn ($65m) in exports.

Industries hit by supply shortages began to recover as deliveries started again yesterday. Renault resumed production at its Douai car plant in the north, though a plant at Vilvoorde near Brussels was brought to a halt by parts shortages.

The Peugeot car plants at Poissy outside Paris also started work again, as did the company's factories at Sochaux and Mulhouse in eastern France. The Sochaux plant plans to open on Saturday to try to make up for lost production.

Citröen, Peugeot's sister company, was not so lucky and had to stop work for the third day at its Rennes factory. Peugeot plants in the UK warned that they may have to close today unless they get new supplies.

The UK factories closed last week with the loss of 500 cars.

UK steps up fight against bank fraud

By Robert Peston and David Owen in London

THE British police, the Bank of England and the UK security services are planning to join forces in a renewed fight against bank fraud in the wake of last year's closure of the Bank of Credit and Commerce International, the corrupt international bank.

Talks are taking place between the Bank, the Cabinet Office, the Home Office and the Treasury on the establishment of a new "inter-agency group", the Bank said yesterday.

In a separate development, however, the Bank found itself at odds with the Speaker of the House of Commons over allegations, by an opposition MP that it leaked details of its response to a select committee report into BCCI.

Miss Betty Boothroyd, the Speaker, said she strongly deprecated the alleged leak because it showed "great discourtesy to this house." While she had "no influence" with the Bank of England, she would have expected "as a matter of courtesy" that MPs would be informed of responses to select committee reports "in advance of any other outside body".

The Bank yesterday gave the Treasury select committee members its detailed response to their report and also published the response. However, newspapers, including the Guardian and the Financial Times, carried details of this response in their Tuesday editions.

"If there has been a breach of privilege it was entirely inadvertent", the Bank said yesterday.

The select committee report, published in March, had been critical of the supervisory system and also made some criticisms of the Bank's behaviour.

In its response to the report, the Bank said that an "effective co-ordinated response to complex frauds" may require "new machinery for the exchange of information or for investigation".

An official said this new machinery was likely to be a new inter-agency group containing representatives of the Bank and various investigators including the police, the customs and the National Drugs Investigations Unit. The security services will also be represented, although the official said "we never talk about such things".

The Bank also gave details of a new international initiative to prevent money-launderers from exploiting Swift, the telecommunication system used for transferring funds between banks in different countries.

The extent of the fraud at BCCI had been hidden to a certain extent by its ability to disguise its identity when making payments through other banks. So the Financial Action Task Force, consisting of bank supervisors from the Group of Seven leading industrial countries, is proposing that Swift transfers should be "tagged" with both the identity of the originator of the payment and that of the recipient.

Banks refusing to comply – such as those from countries with strict rules of bank secrecy – would be banned from using Swift.

Bank's BCCI response attacked, Page 8

UK courts must decide on Sunday trade

By Robert Rice and John Thornhill in London

PRESSURE on the UK government to introduce urgent reform of Sunday trading laws increased yesterday after the European Court of Justice suggested it was up to English courts to sort out the confusion surrounding the present legislation.

Giving a preliminary opinion in cases brought by local authorities in England and Wales against three home improvement products retailers Mr Walter Van Gerven, the advocate-general, said it was justifiable under European Community law for countries to have national legislation which prohibited shops from opening on Sundays.

But it was up to the English courts to decide whether the 1950 Shops Act was incompatible with EC law, he said. It was for them to judge whether the effect of general Sunday closing on trade within the EC was disproportionate to the legitimate objectives of the legislation.

The advocate-general's opinion is not binding on the full European Court which will deliver its judgment in the autumn. It will then be left to Britain's law lords, who referred the cases to Luxembourg, to decide the issue taking the views of the European Court into account.

The UK's Sunday trading laws have long been a source of confusion and irritation. For a start, the Shops act applies to England and Wales, but not to Scotland.

The law itself is crammed with anomalies. Loopholes allow the sale of pornographic magazines on Sundays but not the Bible. Ice cream can be sold but not toilet paper. Many retailers have flouted the law for years and local councils · have varied greatly in their enthusiasm for trying to stop them.

Mr Van Gerven's opinion was welcomed by two of the councils involved as "a vindication of our actions in upholding the law". But the pro-Sunday trading lobby said that if the European Court followed the advocate-general, there would be "years of expensive and fruitless court battles".

Mr Stanley Kalms, chairman of Dixons, the electrical retailer and a strong supporter of the ruling Conservative party, said he had received a personal promise "from a politician higher than Kenneth Clarke", the home secretary, that the government would introduce legislation immediately after the European Court ruling was published this autumn.

Yesterday, the Home Office confirmed it was currently considering a range of proposals.

Retailers close to discussions with the government suggest that any legislation is likely to enshrine three principles: a commitment to keep Sunday trading different - perhaps by specifying a maximum number of trading hours; a commitment to help protect small shops; and a provision to protect employee rights.

Italian bosses feel the pay pinch

Continued from Page 1

pany. Their annual pay, backdated to January 1991, has increased by L62.6m to a gross of L312m ($272,000) each. For heads of lesser entities such as the state cinema concern, the rise was worth an annual L37.5m to a gross of L106.2m

By European standards, these gross salaries are not excessively high and had remained unchanged since 1987. The increase was justified on the grounds of the need to compensate for inflation since then.

This argument, however, had already been dismissed in the case of workers' wages when the Andreotti government allowed the law governing indexed wages, the *scala mobile*, to lapse at the end of 1991.

And, by coincidence, the notice of the salary increases appeared as a court rejected a demand by the CGIL, the main trades union confederation, to retain the *scala mobile*.

The nature of the remuneration packages for senior executives in the public sector has never been entirely clear. Indeed, the management has been invariably selected on the basis of political friendship and party affiliation.

Performance, likewise, has been judged little by managerial ability and largely by the capacity to co-ordinate favours with the ruling Christian Democrat and Socialist parties.

● In Britain, the cabinet is expected today to reject an independent report recommending pay increases for top public officials of up to 30 per cent despite evidence that their salaries have fallen behind those in industry.

Rate hopes

Continued from Page 1

Pessimism about the immediate outlook for the UK economy added to selling pressure on the pound. Some investors switched into other currencies because of continuing rumours that technical moves by the Bank last Friday on the money markets were a precursor to an effort to cut rates this week.

Such a cut would be judged as extremely risky, considering the pound's weakness in the ERM, and the rumours helped stoke the general nervousness about sterling.

World Weather

		°C	°F
Ajaccio	S	23	73
Algiers	R	22	72
Amsterdam	S	21	70
Athens	S	32	90
Bahrain	S	34	93
Bangkok		-	-
Barcelona	R	19	66
Beijing	C	27	81
Beirut	S	28	82
Belfast	C	16	61
Belgrade	F	26	79
Berlin	S	25	77
Biarritz	C	19	66
Bombay	F	31	88
Bordeaux	F	23	73

		°C	°F
Boulogne	S	19	66
Brussels	F	22	72
Budapest	F	23	73
Buenos Aires		-	-
Cairo	S	36	97
Cape Town	R	15	59
Caracas		-	-
Casablanca	S	23	73
Chicago †	F	21	70
Cologne	S	24	75
Copenhagen	S	21	70
Corfu	S	28	82
Dallas †	S	24	75
Dublin	Dr	16	61
Dubrovnik		-	-
Edinburgh	C	19	66
Faro	S	25	77
Florence	S	26	79

		°C	°F
Frankfurt	S	24	75
Geneva	S	21	70
Gibraltar	S	23	73
Glasgow	F	19	66
Helsinki	S	18	64
Hong Kong		-	-
Innsbruck	S	21	70
Inverness	F	19	66
Islamabad		-	-
Istanbul	S	32	90
Jakarta		-	-
Johannesburg	S	12	54
Lisbon	S	29	84
London	C	16	61
Los Angeles †	C	21	70
Luxembourg	S	22	72
Madeira	C	20	68
Madrid	S	27	81

		°C	°F
Majorca	C	23	73
Malaga	S	25	77
Malta	F	26	79
Manila		-	-
Melbourne		-	-
Mexico City		-	-
Miami †	S	29	84
Milan	F	24	75
Montreal †	C	18	64
Moscow	F	13	55
Munich	S	21	70
Nairobi	C	22	72
Naples	F	25	77
Nassau	F	5	0
New Delhi		-	-
New York †	S	23	73
Nice	F	23	73
Nicosia	S	31	88

		°C	°F
Oporto	S	24	75
Oslo	S	24	75
Paris	C	22	72
Prague	F	22	72
Reykjavik	R	8	46
Rhodes	S	33	91
Rio de Janeiro		-	-
Rome	S	25	77
Salzburg	F	22	72
S'Francisco †	S	13	55
Seoul	S	31	88
Singapore	F	30	86
Stockholm	S	24	75
Strasbourg	C	21	70
Sydney		-	-
Taipei		-	-
Tangier	F	27	81
Tel Aviv	S	31	88

		°C	°F
Tenerife	C	23	73
Tokyo	S	28	82
Toronto †	C	18	64
Tunis	F	25	77
Valencia	S	27	81
Venice	S	23	73
Vienna	S	24	75
Warsaw	S	21	70
Washington †	C	21	70
Zurich	F	20	68

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr - Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn - Snow
T – Thunder

THE LEX COLUMN

Stretching the dollar

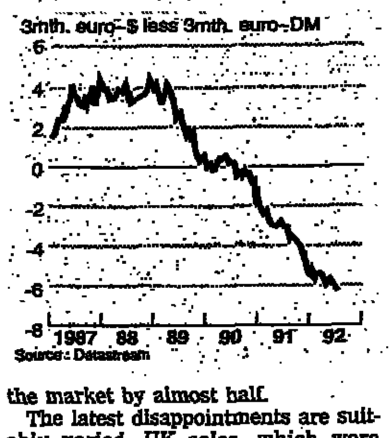
The conspicuous failure of the G7 leaders to mention the currency markets in their summit communique suggests they are back to a policy of benign neglect of the dollar. That need not surprise, since the main players had little incentive to tackle the dollar's decline in the first place. As the Bush administration frets about November's election, it must be groping for any means of reviving the US economy. A weak dollar should give at least some encouragement to exports. That is bad news for French and British exporters. But Japan cannot complain because of its own large payments surplus, while low import prices benefit Germany's anti-inflation drive.

Just the same, confirmation of official indifference is the latest in a growing list of reasons for expecting further dollar weakness. Exchange markets are also increasingly sceptical of President Bush's chances of re-election. The D-Mark is being driven up by devaluation talk swirling round the lira and perhaps even sterling. All in all, the chances are that the dollar would be under pressure even without a differential of more than 6 percentage points between short rates in New York and Frankfurt.

Less certain is quite how much further the dollar has to fall. On a purchasing power basis it is now significantly undervalued, while US inflation at both the retail and wholesale level is lower than in Germany. The Federal Reserve may cut rates one more time, which would widen the differential still further. But the latest car sales figures show the outlook is not entirely bleak. Even if there is another cut, exchange dealers must sooner or later start discounting a narrowing of the interest rate gap. When that happens the dollar could bounce back sharply. It may be expensive to hold the currency now, but the point must be approaching where it is risky to sell it short.

FT-SE Index: 2472.6 (-21.1)

Euro-currency rates



Source: Datastream

Dixons

The story of Dixons in recent years is of endless hope matched by endless disappointment: not a bad proxy for the retail sector, or perhaps the equity market as a whole. Over the past three years, pre-tax profits have fallen by 10 per cent and earnings per share by nearly a fifth. Dividend cover has fallen from 2.5 to 1.6 times. Margins and return on equity have slumped. In response, the shares have risen by nearly 60 per cent and outperformed the market by almost half.

The latest disappointments are suitably varied. UK sales, which were strong in the second half and indeed throughout the year, have faltered since the year end. The electrical goods market is suffering from a fresh outbreak of discounting. The US retail business has slumped further into loss. UK property is being abandoned at a below-the-line cost of £26m.

The divisional breakdown of net assets, published for the first time, is deeply unsettling. The UK retailing assets produce a remarkable return of 60 per cent. But they account for only 31 per cent of the balance sheet total. The remainder, which is tied up in property and US retailing, made a collective operating loss last year of £13m, or something over 5p for every pound invested. Since UK retailing stocks are seasonally low at the year end, the picture is doubtless distorted. But on the face of it, Dixons offers a familiar pattern of a company branching out from its original business only to throw its money away.

At yesterday's 214p, the shares are on a historic multiple of 23 and a yield of 3.7 per cent. In relation to the market as a whole, this is a premium of 50 per cent and a discount of 25 per cent respectively. Buying shares for recovery is one thing. But in the case of a company whose pre-tax profits are two thirds of what they were five years ago, the fashion has perhaps got slightly out of hand.

Sunday trading

The stock market has never been sure whether to take the Sunday trading issue seriously. One day there may be an argument for doing so, but yesterday's non-binding opinion from the Advocate General of the European Court should be treated strictly as a non-event. What matters is what the European judges decide in the autumn, and that for now is anybody's guess. Most of the time they follow the Advocate-General's lead – but in the three previous cases on Sunday trading they have perversely gone the other way.

The indications anyway are that the government has virtually made up its mind, and will table some sort of compromise legislation once the European judgment is out of the way, but before the second reading of a Keep Sunday Special inspired private member's bill in January. On past parliamentary experience the outcome is uncertain – but investors should hardly be holding their breath. In the present uncertain situation there is doubtless some advantage for Tesco opening its doors if Marks and Spencer stays shut. Come the day the law is clear, the advantage of using assets more intensively is likely to be offset by higher costs. The out-of-town DIY merchants possibly apart, it looks at best like a zero sum game.

Slough Estates

Another rights issue was scarcely an option for Slough. But yesterday's placing of £100m of long-dated bonds is nonetheless reassuring for shareholders with the infamous £170m convertible put now less than 12 months away. At least half the necessary cash is locked into place at current interest rates, and though a spread of 255 basis points may sound a lot, it does not compare unfavourably with equivalent issues from British Land and Hammerson. By all accounts, demand for unsecured fixed income instruments is healthy at the moment, provided that the story line is right.

Slough can certainly claim that UK industrial property has not suffered to nearly the same extent as offices or residential property. This does not mean, though, that the year-long slide in the shares has necessarily run its course. At 161p they are only cheap if the dividend is maintained, which notwithstanding management's determination to do so must remain something of an if. The worry is the company's weak revenue account and the extent to which stated dividend cover depends on capitalised interest relating to the development programme.

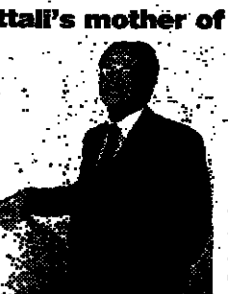
FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1992
Thursday July 9 1992

INSIDE

Jujo Paper to merge with Sanyo-Kokusaku

Jujo Paper and Sanyo-Kokusaku Pulp, two leading Japanese paper producers, yesterday announced a merger that will create the country's largest papermaker. The merger follows two difficult years for the Japanese paper industry, which expanded capacity during the late 1980s. Page 18

Attali's mother of all battles

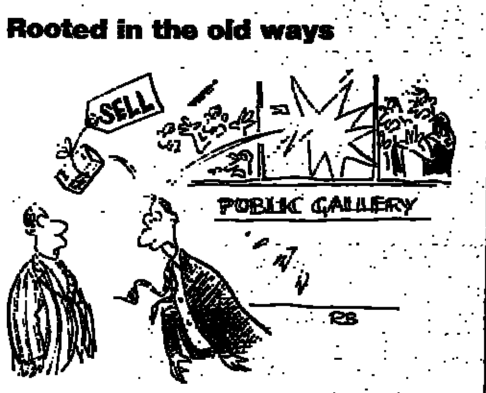


Mr Bernard Attali (left), chairman of Air France, is bracing himself for what he calls "the mother of all battles" in the airline industry. Attali has been striving to transform the French airline into a more aggressive, market-oriented enterprise and after repeated losses hopes to return to the black in 1993. Page 16

Princely future for mining

Argentina's mining industry is like a sleeping beauty that is gradually waking from a deep slumber which has lasted for most of this century. A fortifying dose of pro-business government policies is reviving the industry, while the promise of barely explored territory is making Argentina the apple of many an international mining company's eye. Page 23

Rooted in the old ways



The trading floor of the Jakarta Stock Exchange is a cool blue, in contrast with the heated faces of the traders. In the visitor's gallery (above), anxious investors train binoculars on boards to watch share prices. Pieces of paper are pressed against the gallery window with "SELL" written in large letters. Jakarta's trading floor is similar to Singapore's a decade ago but is now changing rapidly. Back Page

Budgens rebounds into profit

Budgens, the food retailer, yesterday reported pre-tax profits of £4.6m ($8.8m) in the year to April 26, compared with a loss of £14.7m in the previous year. Sales, excluding VAT, were 6.8 per cent higher at £290.7m. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Falls**			
Asko	691	+	27	Accor	707	–	28
Falls				Gal. Lafayette	1950	–	90
DLW	522	–	11	Lafarge Coppee	312.5	–	11.5
Degussa	323.2	–	11	Saint Gobain	554	–	16
Fg Kugelfischer	226	–	7.5	Sefimeg	386	–	14
Rheinmetall Brln	297	–	12	Union Immob Fr	400	–	24
Rosenthal	275	–	10	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Dainippon	1240	+	110
Dart-Filmizer	27½	+	5¼	Inabata	640	+	100
Exabyte	29⅜	+	2¾	Mochida	3630	+	280
Fst Virginia Bk	48¾	+	1	Okamoto Ind	1290	+	100
Giant Inds	6½	+	1⅜	Sanyo Chemical	999	+	79
Nike	69⅞	+	6⅜	**Falls**			
Falls				Takashima	355	–	35
Roadway Servs	62	–	3¾				
LONDON (Pence)							
Rises				Dixons	214	–	9
Brit Aerospace	242	+	11	Everest	228	–	17
Brit Dredging	91	+	6	Frost	390	–	14
Euro Disney	1075	+	20	Lasmo	162	–	10
Forth Ports	188	+	8	Northn Foods	596	–	12
Tiphook	365	+	10	Park Food	125	–	8
Falls				Psion	117	–	10
AB Electronic	81	–	7	RTZ	586	–	23
AMEC	111	–	7	Reed Exec	49	–	9
BM	103	–	17	Royal Insce	200	–	7
Bimec Inds	24½	–	7	Steel Burrill	231	–	13
Black Arrow	23	–	3	Warburg (SG)	460	–	23
Boots	428	–	13				
Clarkson (H)	88	–	17				

AMB and AGF seal surprise accord

By Alice Rawsthorn in Paris and David Waller in Frankfurt

AACHENER und Münchener Beteiligungs (AMB), Germany's second largest insurance group, and Assurances Générales de France (AGF), one of France's biggest insurance groups, yesterday reached a surprise accord after months of bitter hostilities.

The companies announced yesterday that they had reached agreement about voting rights attached to AGF's 25-plus per cent stake in AMB, giving it full voting strength.

AGF's stake will be limited to 25 per cent plus one vote. AMB's management previously has refused to recognise the full voting rights on AGF's holding – as it is entitled to do under German company law – prompting legal action from the French company.

Hostilities were expected to emerge at AMB's annual meeting in Aachen next Tuesday, at which AGF had intended to launch a series of challenges to the German company. Yesterday AGF said it would drop its legal actions and abandon its opposition to the AMB board.

The agreement also paves the way to introduce Crédit Lyonnais, the French bank, as a majority shareholder in BfG Bank, Germany's sixth largest private commercial bank. That is at present majority owned by AMB and has been a drain on AMB's resources since it bought its stake for DM1.9bn in 1987.

AGF and AMB will implement a co-operation agreement first negotiated in 1990 but never put into effect because of AMB's insistence that it was a barely disguised bid for management control. A joint press release insisted that the agreement would not lead to the unscrambling of AMB's existing co-operation agreement with Fondiaria of Italy and Royal Insurance of the UK.

They said they would do everything in their power to make sure that Crédit Lyonnais would take a majority stake in the bank by the beginning of next year, giving the French bank access to the German banking market and relieving AMB of further financial strains. With BGAG, the trades union holding company which owns the remainder of BfG's shares, AMB has injected DM1.5bn ($980m) into the bank since the purchase and has indicated that DM950m will be needed before the bank can stand on its own feet in 1994.

GPA bankers in talks on new equity

By Roland Rudd in London

GPA Group's investment bankers recently approached the Kuwait Investment Office and the Abu Dhabi Investment Authority about the placement of up to $500m new shares to plug the gap in the aircraft leasing group's finances.

Discussions about the new shares centred on their being offered for sale at about $12 compared with a price range of $20 to $25 in last month's aborted $800m flotation. In the UK, a proposed two-for-one share split meant the shares were offered at between $10 and $12.50.

At $12 a share on an unsplit basis the group would be valued at about $1.1bn. If the planned flotation had taken place, the group would have been valued at $2.4bn.

In a separate development Moody, the credit rating agency, downgraded the long-term debt ratings of GPA's subsidiaries from Baa-1 to Baa-3 and the short-term commercial paper programme from Prime-2 to Prime-3.

Discussions on raising new equity have provoked criticism from some GPA shareholders who are still bound to a "lock-in" agreement signed before the ill-fated flotation. This obliges them to seek GPA's permission if they wish to sell more than 20 per cent of their stock for the next three months.

Shareholders are irritated that while they are prevented from selling their shares, GPA's investment bankers have been talking to potential new investors.

Nomura International, which acted as global co-ordinator to GPA in its failed flotation, said there had been talks with potential investors in the Gulf and nothing had yet been signed or agreed.

GPA sought to distance itself from the move. It said: "We have had an avalanche of advice from our advisers which we may or may not act upon."

It described the lock-in agreement as a "technicality" and said the group would consider waiving the obligation when its board meets next Monday. However, the group did not want to "give it up lightly". GPA believes most of its institutional investors are relaxed with the lock-in agreement.

It added: "We have not been asked by any shareholders for permission to sell their shares. If it was asked for, it is likely that it would be granted."

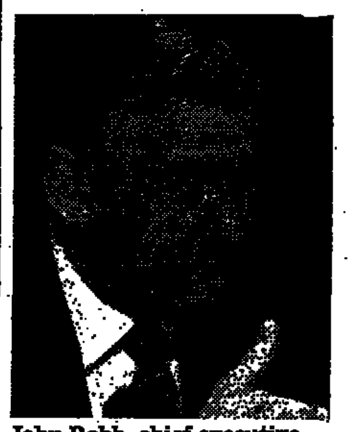
FT writers report on the varied progress of newly launched issues in an uncertain market

Wellcome book-building meets with good demand

By Maggie Urry in London and Alan Friedman in New York

INITIAL indications about the progress of the Wellcome share sale suggest good demand is being found, particularly from UK institutions. The global book-building process began on Monday and runs until July 24.

Wellcome Trust, the medical charity, aims to sell around 330m shares in the drugs company, headed by Mr John Robb, reducing its stake from 73.5 per cent to 38 per cent.



John Robb, chief executive

So far bidders have indicated an interest in buying more than 40 per cent of the shares on offer at prices of around a 5 per cent discount to the market price. Wellcome shares were down 6p to 894p in London yesterday, although they had risen late last week and earlier this week.

One manager involved said it was early days yet, with the US roadshows only starting this week, for instance. But he said: "There is a good feeling about this, there is a solid base of demand for the shares. It feels totally different to the GPA Group sale." The flotation of GPA was abandoned last month when insufficient demand for the shares was found.

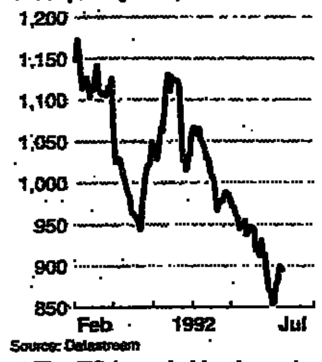
The US portion of the Wellcome sale – about 80m of the total 330m shares on offer – is considered problematic. Among several factors that could dampen investor interest is the sheer size of the investment being sought from the US – more than $1bn worth of Wellcome shares. At present it is estimated that only 2 per cent or 3 per cent of outstanding Wellcome shares is in US hands. If the full number of shares on offer were sold in the US, this would increase to about 12 per cent or 13 per cent.

Wellcome is seeking a big leap in the number of shares held in the US in one go. Wellcome is also relatively unknown in the US investment community, in spite of roughly half of its earnings coming from the US, including income from the AZT drug for Aids treatment.

Mr Sam Isaly, a drugs industry analyst at Mehta and Isaly in New York, said another problem facing the Wellcome offer is that US drug stocks have seriously underperformed Wall Street this year. The drug stock index compiled by Mehta and Isaly was down by 17.5 per cent in the first six months of this year, compared with a decline of less than 1 per cent in the Standard & Poor's market-wide index.

Wellcome

Share price (pence)



Source: Datastream

"The US is probably the swing market to make the whole offer a success or failure. It is a tough sell," Mr Isaly said.

Wellcome is seeking to meet this US challenge with an intensive road show and with the help of leading Wall Street firms in its underwriting syndicate, which is led by Morgan Stanley and includes Merrill Lynch, Lehman Brothers, Goldman Sachs, Salomon Brothers, Wertheim Schroder and Alex Brown.

In all some 1,000 investors will listen to the Wellcome pitch, at meetings between now and July 16 in cities such as Boston, Minneapolis, Chicago, Baltimore, Philadelphia, Los Angeles, San Francisco, Houston, Dallas, Denver, Kansas City and Orlando.

Telegraph shares fall 42p on first day's dealing

By Maggie Urry and Richard Gourlay in London

THE FIRST day's dealings in shares of The Telegraph, Mr Conrad Black's UK newspaper group, saw the price fall to below the 325p level set for the flotation.

The shares opened at 289p, hovered around that level in the morning and then closed at 283p. Mr Black's Hollinger Group retains a 68.3 per cent stake in The Telegraph, worth £258.7m ($496.7m) at yesterday's closing price, £38.4m less than at the flotation price.

Public investors shunned the issue with applications arriving for only 3m of the 13m shares offered. Another 13m shares had been placed with institutions.

On Tuesday, retail investors were even more reluctant to take up the public offering of shares in Anglian Group, the double-glazing company which was to float with a market capitalisation of £183.5m at the flotation price. Anglian's shares are also expected to open at a discount to the 210p price when dealing begins next Wednesday.

The public offer for shares in MFI Furniture Group, the retailer, closes on Friday while the offer for Taunton Cider, the drinks group, closes next Wednesday.

Kenwood Appliances, the kitchen equipment maker, opened at a modest premium to its 285p offer price but had slipped back by yesterday to 282p.

The Telegraph float was hampered by factors including the fact that Hollinger will retain a majority stake. Analysts suggested the sale could have succeeded with a price of 300p.

Investment trusts drop short of target

By John Authers in London

THORNTON Investment Management yesterday announced that its European Smaller Companies investment trust had raised £35.5m ($68m), barely a third of its original £100m target.

It said the launch had been hit by the gloomy sentiment which afflicted the market at the end of June, following the abandonment of the GPA Group flotation and disappointment with the MFI Furniture Group and The Telegraph launches.

Thornton's offer period opened on June 15 and closed last Monday.

Thornton's trust was chaired by Mr Peter Walker, the former cabinet minister who was created a life peer in the dissolution honours list. The trust also had an ambitious fund management structure, with duties split between Thornton in the UK, BNP in France, and Dresdner in Germany. It was marketed to institutions and retail consumers in all three countries.

Mr David Harding, institutional marketing manager at Thornton, said take-up had been strongest on the retail side, particularly in Germany where the issue had strong support from Dresdner's branch network. UK institutions accounted for the most disappointing figures.

He said: "Our original target was higher and I think we would have made it if it hadn't been for the sharp deterioration in the UK new issues market in the weeks coming up to the launch. Maybe they are taking an enlightened view of the markets in Europe."

Henderson Administration reported a similar problem with its newly launched EuroTrust investment trust, whose offer period ended last week. It aimed for "at least £20m", and forecast £25m, but raised only £17.3m. A sudden outbreak of gloomy sentiment caused by failed new issues and the BP boardroom coup was blamed.

Mr Alan Gadd, director of investment trusts at Henderson, said: "I have never experienced such a change in sentiment as we saw among stockbrokers in the last 10 days of June. That was remarkable, and there's no doubt that is the reason why we were under what we had anticipated."

French government report levels criticisms at Volvo

By William Dawkins in Paris

VOLVO, the Swedish partner of Renault, the French carmaker, yesterday came under fire in a French government-commissioned report, a summary of which was leaked by a Renault union official.

The study, by SRI International, a Californian technical consultancy, criticises Volvo's car division for losing market share in the US; for having out of date plants; for inefficiently managing its modern facilities; and also for failing fully to adapt just-in-time stock control methods.

Renault said that the report was only a working document and that it reflected neither its opinion nor that of Volvo.

The study was commissioned by Mrs Edith Cresson, the former prime minister, who was critical of the Volvo alliance and was anxious at the Swedish carmaker's joint venture with Mitsubishi Motors, the Japanese car group, in the Netherlands.

However, Mr Pierre Bérégovoy, who succeeded Mr Cresson, is content to let Renault and Volvo deepen their alliance.

The two-year-old partnership has led to substantial savings for both sides, through sharing important components and the economies of scale achieved by joint purchasing. The partners have spoken of a possible merger.

The SRI study says that Renault faces "major risks" in deepening its alliance with Volvo. It warns Renault not to underestimate the changes needed in Volvo's product range and production lines, the human resources required to bring these changes about, and the fast response that Volvo has to make to the collapse of the US market. The study also estimates that Volvo will make an operating loss of between SKr995m ($184m) and SKr1.3bn this year, after last year's SKr1.18bn operating loss.

The study admires Volvo's quality image and its distribution networks, but warns that the safety and dependability of its vehicles are becoming standard qualities in the car industry. Volvo needs three models to keep its distributors going, but only has the means to develop one, the study claims.

The document may fuel French union discontent. "There is a real danger in pursuing this accord," claimed Mr Gérard Muteau, an official from the Communist-led CGT and Renault administrative board member, who released the summary.

Lufthansa to buy 27% stake in Lauda Air

By Andrew Fisher in Frankfurt and Eric Frey in Vienna

LUFTHANSA, the German national airline which is suffering continued heavy losses, is taking a 26.5 per cent stake in Lauda Air, the small Austrian airline founded 13 years ago by Mr Niki Lauda, the former champion racing driver.

The deal holds out prospects of increased tourist business for both companies.

Mr Jürgen Weber, Lufthansa's chief executive, told yesterday's annual meeting that the airline's losses in the first five months had already exceeded the figure for all of 1991 by about DM150m. Last year's group net loss was DM426m.

Lufthansa said last week that its operating loss was DM600m ($375m) in the January-May period.

Lufthansa's holding in Lauda Air is being acquired for Sch200m ($19m) through Condor, the charter subsidiary of the German airline.

It is also paying more than Sch50m for a 26 per cent stake in ITAS, a travel agency which markets Lauda Air's services in Austria.

The deal comes after a difficult period for Lauda Air; last June one of its aircraft crashed in Thailand killing all 223 passengers and crew. The airline has six Boeing aircraft and has sought a partner to strengthen its position against Austrian Airlines, the country's main carrier, and secure its survival after air traffic liberalisation in Europe.

At the AGM, Mr Weber said the deal would strengthen the German airline's position in Austria.

Mr Lauda said the partnership would give Lauda Air access to Lufthansa's reservation and maintenance network and sharply reduce the costs of further route expansion.

He said Lauda Air and Lufthansa would jointly offer flights from Vienna to Miami and Los Angeles via Munich.

The deal with Lufthansa will increase Lauda's equity capital by 36 per cent and reduce its debt burden. The German airline does not have an option to raise its holding further; 21 per cent of the Lauda shares are traded on the Vienna Stock Exchange.

About 80 per cent of Lauda's traffic is in the charter business, which accounted for two-thirds of last year's revenues of Sch1.5bn. Last year Lauda Air made a net profit of Sch11m and is forecasting Sch40m for 1992.

Schering in talks over selling chemical units

By Leslie Colitt in Berlin

SCHERING, the German pharmaceuticals and chemicals group, is negotiating with Viag, the industrial company, and an unnamed US group about the sale of its industrial and organic chemicals subsidiaries.

Schering said talks were in their final stages and that a decision was expected by early next month.

Industrial chemicals contributed DM451m ($298.6m) out of total group sales last year of DM6.3bn and organic chemicals made up DM440m. Mr Giuseppe Vita, the chairman of Schering, said the group planned to concentrate on pharmaceuticals and agrochemicals in which it had 54 per cent and 28 per cent of sales respectively in the first quarter of this year.

In a separate move, Schering also offered to sell its electroplating division which had sales of DM329 last year.

Mr Vita said the divisions up for sale had performed successfully in profitable niche markets but that these were too small to warrant expansion.

Schering is concentrating the research and development activities of its two US pharmaceuticals subsidiaries at a former Chevron oil company site in Richmond, California.

It is also investing a record DM700m this year in new research and production facilities in Germany and North America.

Schering, like other companies with production facilities in Berlin, is feeling the impact of reduced Federal subsidies for the city such as lower VAT and corporate taxes which are to be phased out by 1994. But the company's high profitability has enabled it to easily absorb the extra costs.

● Deutsche Babcock and Metallgesellschaft have formed a joint venture in the field of conventional power station equipment to compete more effectively in foreign markets, especially in the Far East, writes Andrew Fisher in Frankfurt.

The venture comprises two companies with a combined turnover of around DM3bn ($2bn) and nearly 6,000 employees. Initially, their ownership will be equally divided between the two groups, though the shareholdings will be adjusted after the assets have been fully valued.

It will concentrate on environmentally-advanced equipment to increase power stations' efficiency and reduce pollution.

Mr Heinz Schimmelbusch, the chief executive of Metallgesellschaft, whose Lentjes and Lurgi subsidiaries are involved, said: "This gives us a larger platform to firmly establish an international leadership in this area."

The largest joint company, Babcock Lentjes Kraftwerkstechnik, will make and sell boilers for power stations. Its turnover will be around DM2.7bn.

Lurgi Lentjes Energietechnik, with sales of nearly DM400m, will sell carbon combustion plants.

Linde to extend activities

By Andrew Fisher

LINDE, the diversified German industrial company, is to extend its fork-lift truck and materials handling activities in southern Europe through acquiring control of a subsidiary of Iveco, the truck manufacturer owned by Italy's Fiat group.

The German company has agreed to buy 51 per cent of Fiat OM Carrelli Elevatori, which employs 1,150 people and last year had a turnover of L242bn ($214m). Fiat OM, which also owns the Pimespo Carrelli Elevatori operation, has plants in Bari and Luzzara, near Verona.

Linde said the Italian company would retain its own identity and market its own products in competition with those of the German group which includes equipment under STILL and Linde names. Fiat OM will also strengthen its activities in the eastern European and south-east Asian markets.

Last year, Linde overcame the worst effect of the worldwide economic slowdown and posted a 10 per cent rise in pre-tax profits to DM528m ($315m). Its turnover was 14 per cent higher at DM6.9bn.

Dixons falls 14% and sees no upturn

By John Thornhill in London

DIXONS, the UK's biggest electrical retailing chain which is widely viewed as being one of the first beneficiaries of any economic recovery, said yesterday sales had slipped back in recent weeks as it reported a 14 per cent fall in annual profits to £70.3m ($134.27m).

The company's shares shed 9p to 214p on the news that there were "no real signs in the UK and US of any sustained economic upturn" and helped precipitate a weakening of many other stocks in the stores sector.

In January, Mr Stanley Kalms, Dixons' chairman, described how consumers in some parts of the country "were bouncing with enthusiasm" with sales increases running in the "mid-teens".

Yesterday he said sales had weakened over the past nine weeks but were still running "slightly ahead" of last year.

In the year to May 2, UK operating profits rose one-third to £71.9m on sales 11 per cent higher at £1.2bn.

Earnings per share fell from 12.6p to 9.5p. A final dividend of 4.4p lifted the total by 3 per cent to 6p.

Lex, Page 14

Air France draws up the lines for battle

Bernard Attali talks to **Paul Betts** on the national carrier's change of strategy

MR BERNARD Attali is bracing himself for what he calls "the mother of all battles" in the airline industry.

"We haven't seen anything yet. It's going to be a terrible earthquake and we are all going to be engaged in a frightful war for the next 10 years," says Mr Attali, whose mandate as chairman of Air France has has just been renewed by the French government for another three years.

During the past three years, Mr Attali has been preparing Air France by attempting to transform the French state-owned carrier into a more aggressive, market-orientated enterprise.

His task has not been easy. The group has lost a total of FFr1.4bn ($270m) during the past two years. Mr Attali expects Air France to show another loss this year, although he hopes his group will return to the black in 1993.

Air France, like other airlines, has suffered from the combined effects of the recession in many world markets and the hangover from the slump caused by the Gulf crisis. The expected recovery in traffic has been elusive.

The pressures are now building up on the airline and the industry. Capacity continues to outstrip demand. Airlines have launched a fares war to try to fill empty seats and protect market shares. Air transport liberalisation in Europe next year will intensify competition while the large US carriers continue their onslaught on the European market.

"We are number one in Europe in terms of turnover and our ambition is to remain number one," says Mr Attali. But, despite its size (Air France had sales of FFr57.6bn last year), Mr Attali concedes his airline continues to be regarded by some as "a big, sleepy, monopolistic elephant". But he claims this is no longer true and that Air France is changing fast.

"I'm a chess player, and the first lesson in chess is never underestimate the opposition. Many of our competitors are clearly making that mistake," he says with a touch of defiance.

Mr Attali's strategy has focused on restructuring operations while strengthening market position by acquisitions and partnerships. His target is to achieve productivity gains averaging 5 per cent a year. Between 1991-1993, Air France will have shed 11 per cent of its ground staff.

He has also been reorganising the structure of the company by integrating Air France and UTA, the independent French long-haul carrier which he took over two years ago. He also acquired control of Air Inter, the domestic French carrier, which is continuing to operate under its own identity.

"The UTA and Air Inter deals were fundamental for Air France. Without them I would have now felt very uncomfortable," he says, explaining that it was critical for Air France to

Bernard Attali: our ambition is to remain number one

consolidate its position in its domestic market to compete against other big European carriers already dominant in their home markets.

The next step was to develop alliances in Europe. He achieved this by acquiring this year a 37.5 per cent stake in Sabena, the Belgian airline, and leading a group of investors to take a 40 per cent interest in CSA, the Czechoslovakian state carrier. He now intends to look farther afield in an effort to forge partnerships with carriers in America and the Asia-Pacific region.

Air France has also been reviewing its marketing strategy in response to the new competitive pressures and especially the growing North Atlantic fight against US carriers. It has introduced a frequent flier programme, is investing heavily in training, and is seeking to enhance its customer service. It has also joined in the latest transatlantic fares war by announcing discounts of up to 35 per cent on some tickets.

Mr Attali regards the US as posing the most immediate threat to Air France. He has lobbied hard to secure a more favourable bilateral air service agreement between France and the US for his airline. Since the new breed of giant US carriers like American Airlines, United and Delta have started expanding into Europe and France, the French carrier has seen its share of the transatlantic market decline from around 50 per cent to just over 30 per cent.

"In 10 years' time we risk being under the domination of US carriers," Mr Attali says, arguing for the need for greater consolidation in the European airline industry. Competition policies must enable European carriers to develop into significant global entities. "The problem in Europe is that there are about 60 airlines that matter, and that's 40 too many," he says.

Although the French government has sought to delay the implementation of full liberalisation in Europe, Mr Attali says he is not worried by the recently-approved third package of EC liberalisation measures. Indeed, he plans to take advantage of it and is considering operating domestic services in other EC countries, including the UK.

In turn, his UK rival BA is also expected to expand in the domestic French market. BA is especially interested in setting up joint ventures with smaller carriers in other EC states to operate domestic services in these countries. In France, BA has been talking with TAT, the French independent regional carrier. "If BA does a deal with TAT, it won't find life easy in France," Mr Attali warns.

He also warns liberalisation could backfire as long as the congestion problems of European air traffic and airports are not resolved.

"It's difficult to see how you can put even more aircraft in the skies if the adequate infrastructure is not in place," he says.

Improving the quality of his airline is a priority. "We already have a strong product and that is one of our strengths," he claims. In anticipation of the forthcoming battle, the other strengths he plans to build on are the extensive size of his airline's international network, his domestic market, and his hub at Paris Charles de Gaulle with considerable expansion potential and its connection with the French TGV high-speed rail network.

Mr Attali is also continuing to shop around for opportunities. "There is bound to be an acceleration in deal-making between airlines in the current climate," he says. "The problem is to be in a position to choose your partner and not to be chosen first."

Walbrook Insurance faces threat of liquidation

By Andrew Jack in London

WALBROOK Insurance, a subsidiary of London United Investment which is in administration, faces the possibility of liquidation after a new analysis of its reserves has shown that it has negative shareholder funds.

The 200 principal policyholders of the company have been invited to meetings in Chicago today and London next Monday to consider four separate options for its future.

The Walbrook board is believed to favour proposing an informal scheme of arrangement by which they would remain in charge, with creditors receiving 100 cents in the dollar, but then returning 60 cents immediately in exchange for preferred stock.

The three other options are a formal scheme of arrangement, provisional liquidation or liquidation.

Provisional accounts are believed to show negative net worth of more than $160m.

NEWS IN BRIEF

OUTOKUMPU of Finland and Italy's SMI group are rationalising their copper interests in Spain by forming a joint venture, Laminados Oviedo-Cordoba (Locsa), writes Robert Graham in Rome.

The new company will manage the two group's previously separate rolled copper and copper alloy manufacturing activities in Oviedo, Asturias and Cordoba.

Locsa, with a headquarters in Madrid, is expected to have a Pta10bn ($105m) annual turnover.

The authorities in Brussels are due to be informed of the deal which has been made necessary by the need to make Spanish operations more competitive.

● EURO:RSCG, the French marketing services group formed recently by the merger of Eurocom with RSCG, yesterday announced it was paying a total dividend of FFr32.25 for 1991, writes Alice Rawsthorn in Paris.

Société Générale, the French bank, has invested in the group, which is one of the leading players in European marketing services, by buying the 8.5 per cent stake previously owned by the Suez industrial group. Suez has sold its stake as part of its strategy of streamlining its investment portfolio.

● THE Spanish daily newspaper El Pais and Italy's La Republica have each agreed to take a 15 per cent stake in Publico, a respected Portuguese daily newspaper launched two years ago, Reuter reports from Lisbon.

Publico sells around 70,000 copies daily, making it one of the leading Portuguese newspapers. Set up by journalists with finance provided by a Portuguese entrepreneur, the newspaper is reported to have reached break-even point.

COMPANY NOTICES

LEGAL NOTICE

INTERNATIONAL COMPANIES AND FINANCE

Amoco and Unocal plan job cuts

By Alan Friedman in New York

TWO US energy groups – both affected by declining earnings and the weak US demand for oil and gas products – yesterday announced wide-ranging job cuts, asset disposals and corporate restructuring plans.

Amoco, the fifth-biggest US energy company, said it would take an $800m after-tax charge against second-quarter earnings to cover costs of write-offs, restructuring and workforce reductions.

The company, which aims to save $680m of annual operating costs a a result of its "strategic reassessment" of business operations, said that by the end of 1993 it expected some 8,500 employees to have departed.

This would represent a cut of nearly 16 per cent of the Amoco workforce, which totalled 54,120 at the end of 1991.

Amoco also said it would cut its planned 1992 capital spending by 12 per cent, to $3.3bn. This would leave the 1992 capital and exploration budget some 17 per cent below the 1991 spending level.

The $800m Amoco charge includes about $250m to cover anticipated losses on the abandonment of oil and gas producing properties, $220m for write-offs and reserves in Amoco' chemical operation, $160m to cover other reserve and asset write-offs and $170m to cover the cost of workforce reductions.

Unocal, the California-based energy group that in April unveiled plans to sell at least $700m of assets and reduce the size of its workforce, yesterday announced a corporate reorganisation that would eliminate 1,100 jobs.

Like other US oil and gas companies, Amoco and Unocal are feeling the pressure of reduced margins, weak demand and recession. A number of companies, such as Chevron and Mobil, have announced asset disposals and cuts in capital spending budgets as part of their efforts to struggle through the difficult operating environment.

Unocal said its decision to reorganise its corporate structure would help to accelerate its plan to lower group debt by $1.5bn – from $4.6bn at present – over the next five years.

Another key step the company said it was considering would be the decision to try and raise about $500m by way of a private placement of securities that would be convertible into 7 per cent of Unocal's outstanding share base.

The 1,100 job cuts include 450 positions in petroleum and geothermal energy exploration and production and 400 jobs on the downstream side of the business. Unocal also plans to reduce its corporate and research staff numbers from 1,600 to 1,350. The company's total workforce at the end of 1991 was 17,000.

Unocal reckons its cost reductions will increase its after-tax cash flow by $200m a year, starting in 1993. The company said its after-tax cash flow in 1991 was $1.24bn.

Unocal also said it would close it regional office in Schaumburg, Illinois by September 1993, either transferring or making redundant the 600 people who work there.

Unocal plans to take a $35m charge in its third quarter as a result of the cuts.

Levi Strauss profits surge 48%

By Nikki Tait

LEVI Strauss, the privately-held and largest brand-name clothing manufacturer, saw a 48 per cent increase in second-quarter profits, to $113.1m aftertax from $76.6m a year earlier, on sales of $1.3bn, up 14 per cent.

Levi's jeans and jean-related products continued to drive the earnings growth. "Basic denim continues to be the strongest performer," said the company.

Its sales in the US rose by 22 per cent in the second quarter to $813.8m, while turnover outside the US increased by a more modest 2 per cent, to $498.1m.

Bank of Boston to open in Mexico City

NEW ENGLAND-based Bank of Boston has received approval from the Mexican government to open an office in Mexico City, Reuter reports.

About half of the bank's international operations are in Latin America. The bank has over 100 offices in 25 countries and international operations account for 18 per cent of the company's total assets.

Modest advance by Marriott

By Nikki Tait in New York

MARRIOTT Corporation, the large but indebted hotels group, yesterday revealed a modest improvement in second-quarter profits and said it hoped recent domestic air fare wars would boost its summer business.

In the second quarter, to June 19, Marriott made an operating profit of $125m, compared with $123m, on turnover of $2.03bn ($1.94bn). After-tax profits were up from $27m to $29m. The shares closed unchanged at $16¼.

Marriott said, however, that the figures included a number of non-comparable items. Without these complicating factors, it claimed, that operating profits would have shown an 8 per cent rise, while after-tax profits would have been up by 28 per cent.

The company's lodging division showed a 6 per cent sales gain, year-on-year, while operating profits were up by 9 per cent. Minus the non-comparable items, this latter figure would have been up by 19 per cent.

On the contract services side, Marriott posted a 4 per cent sales increase but saw operating profits fall by 16 per cent,. - a decline which it blamed on the slow economic recovery.

O&Y wins time on US development

By Bernard Simon in Toronto

OLYMPIA & York has won an eight-month breathing space to renew its participation in the vast Yerba Buena property development in San Francisco, in exchange for giving up claims to the US$26m it has already paid towards the project.

An official of the San Francisco Redevelopment Authority said yesterday O&Y has been given until the end of February 1993 to find an investor willing to pay amounts owing for the purchase of the land.

The ailing Toronto-based developer last week failed to make a $2m payment. Under the original agreement with San Francisco, it would have forfeited all rights to develop the site into a sprawling office and entertainment centre.

O&Y was seeking an equity partner for Yerba Buena even before its liquidity crisis surfaced in February. The redevelopment authority official said the agreement put O&Y in the position of marketing the project on behalf of the agency.

In return, O&Y has agreed to terminate its original contract with San Francisco and to release it from any future claims. This means that the agency will stay outside any bankruptcy proceedings O&Y may file for its US business. So far, only its Canadian and UK operations are under the protection of bankruptcy courts.

● Bramalea, the ailing Canadian property developer controlled by Toronto's Bronfman family, will reduce its C$4.8bn debt by C$106m as a result of selling two shopping centres and 11 industrial properties.

The shopping centres have been bought by Trizec, Bramalea's parent company. Trizec has taken measures in recent months to support Bramalea, including an equity infusion and purchases of other properties.

Bramalea is in debt-restructuring talks with banks and other creditors. It missed a C$5m interest payment on a debenture last week.

Nike strides ahead but L A Gear falls back

By Karen Zagor in New York

THE contrasting fortunes of Nike and L.A. Gear, two of the biggest sports shoe and apparel makers, was underscored yesterday when they turned in results for the three months to May 31.

Nike, which has steadily improved its performance in spite of the recession and a weak retail climate, said its fourth-quarter net income grew 21 per cent to $70.7m, or 92 cents a share, from $58.6m, or 76 cents, a year earlier. Revenues rose 18 per cent to $847.6m from $719m.

Nike's results were stronger than Wall Street had expected, and the shares jumped $6¾ to $66¼ at midday yesterday.

For the full year, Nike's net earnings rose 15 per cent to $329.2m, or $4.30, from $287m, or $3.77, in 1991. Revenues advanced to $3.4bn from $3bn.

Mr Philip Knight, chairman and chief executive, said futures orders for the next six months were up 17 per cent, which "sets the stage for another record year in 1993. This increase reflects US retailers' continued success with Nike products in an otherwise difficult retail environment."

He added the company was committed to achieving revenues of $6bn by 1996.

L.A. Gear, which brought in a new management team this year in an attempt to reverse its fortunes, posted a second-quarter net loss of $24.4m, or $1.29. The results were distorted by an after-tax charge of $13.9m, or 68 cents, from the settlement of lawsuits.

In the 1991 second quarter, it suffered a net loss of $4m, or 20 cents, including losses from discontinued operations of 3 cents a share.

Sales dropped 36.9 per cent in the 1992 quarter to $104.7m from $166m, reflecting a drop in shoes sold and a fall in selling prices as L.A. Gear continues to liquidate inventory.

The company expects to stay in the red for the rest of 1992 as it continues to liquidate old inventory and increases promotional spending.

French vote provides next test for bond markets

Uneasy calm may be challenged, writes **Richard Waters**

A MONTH after Danish voters gave the thumbs down to the Maastricht treaty, European Community bond markets have settled into an uneasy calm.

Whether that calm is justified, or whether a new wave of pessimism is about to break over the European markets, could be tested in the coming weeks.

Two events this week suggest that it will not all be plain sailing – though most bond investors doubt that the equilibrium that has settled on the markets will be broken.

The first event was the hike in the Italian discount rate at the weekend, prompted by a wave of speculation over a devaluation of the lira.

The second was sterling's abrupt exit yesterday from the notional narrow band in which it had been trading in the Exchange Rate Mechanism.

The knee-jerk reaction to the Danish vote was a sharp widening in bond yields between Germany and higher-yielding bond markets. It left Euro-sceptics feeling vindicated.

"A while back, we put a discount on Europe," said Mr Terence Prideaux, a fund manager at Kemper Investment Management. "It seemed to us to have become 'politically correct' to be European, and fashions in political correctness can easily change."

The correction was sharp and quick. Spain and Italy were the biggest losers, while UK government bonds – poised delicately in investors' minds between the high-yielding and core ERM markets – largely escaped the rout.

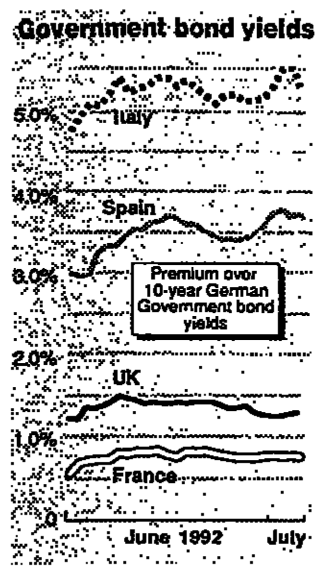
That was phase one of the reaction to the Danish vote. The markets have since recovered their equilibrium, and entered stage two: the long wait until September 20, when French voters deliver their own verdict on the Maastricht plans for European economic and monetary union (Emu).

"If the French say 'no' there will be a major sell-off in the higher-yielders," said Mr David Shaw, head of fixed income at Legal & General, the UK insurer.

"We got half of it with Denmark – we would get the other half with France."

But although bond investors' thoughts are fixed firmly on the French referendum, there is plenty that could yet disturb their summer reverie.

Government bond yields



Bond yields in both Italy and Spain have continued to rise, relative to Germany, as further doubts about the ability of those countries to meet the convergence criteria laid down at Maastricht take hold.

The foreign exchange markets have begun to ask some demanding questions of sterling, ending the three-month honeymoon that followed the re-election of Mr John Major's Conservative government in early April. The convergence among European bond markets achieved in the past two years may largely remain intact, but there could be stiff tests ahead.

Italy faces the toughest challenge. Its political and economic problems are largely internal, and the rosy haze has lifted from international investors' eyes in the aftermath of the Danish vote, encouraging them to look more closely at bond yields that had once looked to be treading an inexorable path towards convergence.

"Maastricht was the first time we've had guidelines laid down against which economies can be measured," said Mr Prideaux.

Investors have begun to use the measuring rod mercilessly in Italy's case to question whether the country's new government has the will and the ability to tame its budget deficit.

Sentiment in the gilt market, meanwhile, changed quickly this week as sterling came under pressure. Only last Friday, the Bank of England's operations in the money market suggested that it was tinkering with the idea of a rate cut.

"It was very badly timed," says Mr Andrew Burtenshaw, head of fixed income at Norwich Union, the UK composite insurer.

The rise in Italy's interest rates and a sharp fall in the US dollar against the DM this week gave foreign exchange dealers the opportunity to test sterling for the first time since the general election.

Most doubt that sterling will come under serious pressure – a view apparently supported by the Bank of England's equanimity yesterday in the face of the pound's slide.

Although the UK economy has shown little sign of improvement, the UK government, with an election behind it, is under no immediate pressure to generate a recovery through a devaluation. Nevertheless, the foreign exchange markets are likely to cast a shadow over gilts in the near future.

This week's developments suggest that the European bond markets will continue to reverberate from the Danish vote on Maastricht in the coming months. But they offer little guide to the two big questions that will determine the markets' direction over the longer term: will French voters back Maastricht, and when will the Bundesbank allow German interest rates to fall?

Merger will create Japan's largest paper manufacturer

By Robert Thomson in Tokyo

JUJO PAPER and Sanyo-Kokusaku Pulp, two leading Japanese paper producers, yesterday announced a merger that will create the country's largest papermaker.

The merger follows two difficult years for the Japanese paper industry, which rapidly expanded production capacity during the "bubble" era of the late 1980s, only to find demand and prices falling sharply last year.

The Tokyo Stock Exchange said yesterday that it will investigate trading in the shares of Jujo and Sanyo-Kokusaku, as prices of both companies rose sharply in a variable market before the exchange suspended trading in the stocks. Jujo had risen Y26 to Y536 and Sanyo-Kokusaku by Y27 to Y578.

Jujo, the third-ranking company, and Sanyo-Kokusaku, fifth-ranked, reported sharp profit falls of 49 per cent and 68 per cent respectively last fiscal year, even though they had cut production costs and bolstered earnings with sales of securities.

Executives of the two companies said the paper market had been damaged by "excessive competition" and that the yet-to-named new company, to be formed next April, would rationalise production facilities and "stabilise the paper industry".

However, like all Japanese companies, the new management will find it difficult to reduce its workforce. Miss Caroline Stone, paper industry specialist at Barclays de Zoete Wedd, said the merger could take five years to produce positive results.

"It is very difficult in Japan for management to reduce staff. Apart from sheer size, it is difficult to see what Jujo paper will gain from Sanyo-Kokusaku. Perhaps it is just the attraction of being the biggest," Miss Stone said.

The likely emergence of Jujo as the largest company in the industry is a blow to Oji Paper, the present market leader, as Jujo was separated from Oji group – a member of the Mitsui family of companies – after the Second World War in an attempt to rid Japan of its monopolies. After the planned merger, Jujo-Sanyo will have a 17 per cent market share and Oji about 16 per cent.

In the late 1960s, Oji, Jujo and Honshu, another original member of the Oji group, planned to reunite, but the move was opposed by Japan's Fair Trade Commission.

The announcement of the agreement comes 20 years after the merger that created Sanyo-Kokusaku itself. The company still shows signs of having been unable to blend the separate management structures. Mergers in Japan often result in disillusionment among workers in the smaller partner, who feel at a disadvantage in the new hierarchy.

Under the agreement announced yesterday, the president of the new company will be Mr Takeshiro Miyashita, the Jujo president, while the more ceremonial post of chairman will go to Mr Choji Kuramochi, the current chairman of Sanyo-Kokusaku, which will essentially be dissolved.

The problems in Japan's paper industry, forced this year to cut production levels to reduce inventory, were also highlighted yesterday by reports of a restructuring at Daishowa Paper, the second-largest maker, which had been ordered by its banks to reduce debt through asset sales.

Japanese paper companies are known for supporting their often weak operating profits with sales of securities or property holdings, but the continuing downturn in both the stock and property markets has limited these sources of funds.

Daishowa's banks are understood to have asked the Saito family, which oversees the company, to increase their investment to strengthen its financial position. Daishowa said it was not aware of a formal request from the banks.

NSW float of GIO meets heavy response

By Bruce Jacques in Sydney

THE privatisation of GIO Australia, the New South Wales government's financial services arm, closed yesterday with more than A$1bn (US$746m) in over-subscriptions.

More than 128,000 applicants placed orders worth A$2.22bn for the A$1.2bn offering, making the share issue one of the most keenly sought after in the country's history.

A NSW government spokesman said yesterday more than 70 per cent of successful subscribers would be allocated all shares sought, but applications for large tranches would be scaled back.

Share certificates and refund cheques would be sent out within two weeks.

The Victorian government has approved the proposed sale of its State Insurance Office to the GIO for about A$300m.

● Amcor, the diversified Melbourne-based paper group, plans to invest about A$26m in new corrugated box facilities in Western Australia and Malaysia.

Mr Garry Ringwood, managing director of Amcor Fibre Packaging, said yesterday a A$15m plant would be built at Perth, replacing two existing operations in the city, and two further plants would be built at Penang and Johore Bahru in Malaysia at a cost of A$11m.

Hafnia wins time in survival bid

Hilary Barnes examines the problems confronting the Danish insurance-based financial services group which came close to receivership last weekend

"WE HAVE won the first battle, and we have gained the potential to win the next ones as well," said Mr Olav Grue, recently-appointed chief executive of Hafnia, the insurance-based financial services group which came perilously close to going into receivership last weekend.

The next battles will include cuts in staff and disposal of subsidiaries which could lead to the company cutting staff by about 1,000 from 3,700.

Sale of Hafnia's UK subsidiary, Prolific, the life assurance and pension management company, bought by Hafnia in 1989, is thought to be high on the list of priorities, but Mr Grue would not comment on either this or the size of staff cuts.

Mr Grue, formerly managing director of an industrial finance fund, was brought in on June 2, when the company was in serious financial trouble. Within days the situation worsened.

Denmark's June 2 referendum rejecting the Maastricht treaty caused share and bond prices to fall, further undermining the group's equity capital.

Then, last week, there was a fresh shock for the group. It was revealed that a senior manager, since dismissed, had made irregular commitments in the spring to buy shares forward at a fixed price, with a total estimated loss to the group of about DKr350m ($60.8m).

These commitments were not known to the directors and were not correctly entered into Hafnia's books.

By July 2, the group's equity capital was a negative DKr450m. Over the weekend auditors worked round the clock to see whether there were any other hidden losses, which could have forced the group into receivership.

The auditors cleared the group, which meant its banks and the guarantors of a vital new rights share issue to raise DKr2bn, continued to support Hafnia.

Subscriptions to the rights issue went ahead on Monday. "We have now gained the necessary time and freedom of manoeuvre," said Mr Grue.

A bizarre aspect of the irregular share purchase commitments involved the country's only stock exchange-listed soccer club, Brondby.

The club held 73 per cent of the shares in a small Copenhagen niche bank, Interbank, but as the club's fortunes on the football field declined the club decided to sell the shares. The option deal with Hafnia meant the club was able to raise temporary finance while it tried to sell the shares.

The first that Hafnia's board knew about the deal, priced at DKr288m and giving Hafnia a loss of DKr35m to DKr45m, was when the two broking firms which had arranged the option called last week to ask for their money.

Yesterday, however, Hafnia informed the stock exchange of new irregularities. Disclosure is obligatory for share holdings of over 5 per cent, but Hafnia had not disclosed a 41.99 per cent holding in Dansk Traelast, a large timber and building materials group.

The basic reason for the group's difficulties is not the share deals, but the sorry story of what happened when the group tried to adapt itself to an increasingly competitive European insurance market.

After failed merger talks with domestic rival Baltica in early 1990, Hafnia mounted a hostile raid, buying up over one-third of the shares in Baltica Holding. Baltica held out against the pressure, and when the price of Baltica's shares fell, Hafnia's financial position was seriously weakened.

Hafnia's next move was to try to establish a Nordic insurance group. Last winter, together with Norway's UNI Storebrand, it tried to gain control of Sweden's Skandia, the largest of the Nordic insurance company's. This venture, too, fell through.

In the process of acquiring 14.8 per cent of the shares in Skandia, Hafnia Holding illegally borrowed money from its insurance subsidiaries, which precipitated the dismissal of Mr Per Villum Hansen, the group's chief executive, in April. These transactions, as well as the share dealings, are subject to police investigations.

Over the past 18 months, Hafnia's share capital has slumped from DKr6bn to a negative figure, mainly because of the decline in the value of the Baltica and Skandia shareholdings and the cost of financing these investments. As recently as December 31, the equity capital of the group was worth DKr3.1bn.

Crucial to Mr Grue and his chairman, Mr Holger Laveson's, strategy for the group is the disposal of the shares in Baltica and Skandia. Preliminary discussions are taking place with Skandia, Baltica and Storebrand, but as yet they do not have the character of negotiations, Mr Grue said. "We are engaged in mutual discussions, but not negotiations. At the moment that is all I can say."

Cemex bid is for 74% only

By Peter Bruce in Madrid

CEMENTOS MEXICANOS, stung by a sharp fall in its shares in New York after agreeing to buy Valenciana de Cementos, Spain's largest cement producer, yesterday revealed it had no intention of buying the whole company.

It said it would pay $1.25bn for just 74.1 per cent of the Spanish company.

Earlier pronouncements by the Spanish advisers to Cemex, the world's fourth-largest cement-maker, had said it was taking control of 100 per cent of Valenciana, which would have cost it close to $1.7bn.

The Mexican company said yesterday, however, that 25.9 per cent of Valenciana, held as treasury stock by the Spanish company, would not form part of the takeover offer it has made.

Valenciana accumulated the treasury stock earlier this year when it bought full control of an affiliate which, in turn, owned Valenciana shares.

The company, by law, has three years to dispose of it.

Cemex has so far paid $419m, privately, for 24.9 per cent of Valenciana held mostly by the Serratosa family that controls Valenciana and by the Scandinavian producers, Akem and Euroc.

It has also been promised a further 29.1 per cent by the Serratosas, Aker and Euroc at the formal public offer price of Pta15,075 a share. That will cost another $496m.

The 20.1 per cent of Valencia traded on the markets will cost another $343m if all the shareholders take up the offer.

Officials said Cemex would pay $500m in cash for the acquisition and the company had been promised financing worth at least $750m by Citibank.

C. Itoh seeks group listings

TRADING HOUSE C. Itoh wants to list two group companies on the second section of the Tokyo Stock Exchange, with the aim of revitalising the group and seeking capital gains, Reuter reports from Tokyo.

The two are chemicals maker C. I. Kasei and distributor C. Itoh Warehouse and Transport. C. Itoh said it hopes to list two or three group companies a year.

Profits at S Korean companies dip slightly

PROFITS for South Korea's listed companies fell slightly in the first six months of 1992 compared with the same period in 1991, although sales pushed ahead steadily, Reuter reports from Seoul.

According to preliminary studies by Daewoo Securities, covering 423 out of the 528 companies whose fiscal year ends in December, sales for the first half of 1992 amounted to Won77.07trillion (million million), up 14.9 per cent on the Won67.06tr ($85bn) a year earlier.

Daewoo said the 95 companies not listed in the analysis were either concerns declining to take part or finance houses.

A total of 688 companies are listed in South Korea, the remainder reporting their fiscal year at end-June.

The report showed ordinary profits of the 423 companies in the first half of 1992 totalled Won1.50tr, down 0.4 per cent from Won1.51tr a year earlier; net profits amounted to Won1.08tr, down 0.1 per cent from Won1.09tr.

Ordinary profits, usually before-tax, are total revenues minus total costs incurred in normal business activities, while net profits, mostly after-tax, also take into account extraordinary items.

The 339 manufacturing companies on the list accounted for Won44tr in sales in the January-June period, a 12.3 per cent increase from Won39.17tr.

These manufacturers' ordinary profits fell 5.1 per cent to Won1.11tr in the first half from Won1.17tr the previous year. Their net profits also slid 7.4 per cent to Won786.54bn from Won849.17bn.

In contrast to the worsened profitability in manufacturing, the remaining 84 non-manufacturers garnered Won33.07tr in sales in the first half, a hefty rise of 18.5 per cent from Won27.92tr a year before.

Non-manufacturers' ordinary profits in the first half increased 15.9 per cent to Won392.67bn from Won338.79bn.

Net profits earned by the non-manufacturing sector in the first half totalled Won296.85bn, up 21.3 per cent from Won244.63bn, the Daewoo report showed.

A Daewoo official attributed the lacklustre performance of manufacturers in comparison with the others to previous heavy borrowings for capital investment and weakened demand.

All of the companies except those in the water transport sector had sales increases, with particularly good performances from the metal mining, telecommunications and construction sectors.

World Bank launches five-year $1.5bn global issue

By Simon London

THE World Bank yesterday launched its sixth global bond issue, leading a number of sovereign and supranational borrowers hurrying to raise funds in the international market before the summer holiday period.

The World Bank's $1.5bn five-year deal, lead-managed by IBJ International and Merrill Lynch, will be priced today to yield 5 to 7 basis points more than US Treasury securities. On the basis of demand seen yesterday, underwriters are expecting the yield spread to be set at the tighter end of the indicated range.

Participants in the deal reported strong buying from investment institutions in the Far East and Europe. However, US investors appeared less enthusiastic. At such a low yield spread, most US investors prefer to buy their domestic government paper.

Even so, demand from elsewhere was easily enough to support the deal and most underwriters reported demand well in excess of their allocations.

Finland continued its heavy borrowing programme in the international market, raising FFr4bn 11-year funding. The deal, lead-managed by Crédit Commercial de France, was the borrower's second issue in French francs this year following a FFr5bn five-year issue in March.

Yesterday's 9 per cent issue was priced to yield 41 basis points more than French government bonds of the same maturity. However, the government bond issue maturing 2003 is relatively illiquid. Bankers said the Finland bonds yielded around 89 basis points more than benchmark French government debt.

INTERNATIONAL BONDS

Both the pricing and long maturity of the issue were seen as aggressive by deal participants. Paris-based banks found only lacklustre demand from French investors, although international demand for the issue was more buoyant.

By the close of trading in Paris, the bonds were trading at 99.20 bid, below the fixed re-offer level of 99.32 but well inside full fees of 35 basis points. At this level, the yield spread over the 2003 government issue was 42 basis points.

Norway made a debut issue in the Canadian dollar sector, taking advantage of good currency and interest rate swaps opportunities. The C$500m six-year deal, lead-managed by Paribas Capital Markets and IBJ International, was swapped into US dollars. Another European sovereign borrower is expected to tap the Canadian dollar sector today.

The 7¼ per cent bonds were re-offered to investors at a fixed price of 99.55. At this level the yield was 34 basis points more than Canadian government paper.

The yield spread was initially seen as too tight by some participants in the deal. However, most reported brisk sales. The Canadian dollar bond market has rallied strongly on hopes that the debate about the country's constitution will soon be resolved.

Slough Estates, the property investment group, became the third UK company this week to raise long-term sterling funding, following issues from Hanson and Boots. The company launched a £100m 20-year issue lead-managed by Warburg Securities.

The proceeds of the issue will be used to refinance part a £147m liability relating to a convertible bond which will probably be put back to the company next year.

Since the put option on the convertible is not exercisable for some months, yesterday's issue was launched in partly-paid form. Investors must pay 25 per cent of the purchase price this month, with the balance falling due at the end of December.

The company chose to issue yesterday rather than waiting until later in the year because long-dated gilt yields are low and – as shown by the Hanson and Boots issues – demand for long-dated sterling paper is firm.

The 11⅝ per cent unsecured bonds were priced to yield 255 basis points more than long-dated gilts. A secured issue could have been priced to yield around 1 per cent less. However, by issuing unsecured debt, Slough remains free to trade its property assets.

See Lex

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
World Bank(b)†	1.5bn	(b)	(b)	1997	25/20bp	IBJ/Merrill Lynch
Finnish Real Est.Bk.(c)‡†	100	(c)	100	1995	25/15bp	Salomon Bros. Intl.
STERLING						
Slough Ests.(d)†	100	11.625	99.367	2012	0.625	S.G.Warburg Secs.
CANADIAN DOLLARS						
Kingdom of Norway(a)†	500	7.25	99.55	1998	1.875/1.75	Paribas/IBJ
AUSTRALIAN DOLLARS						
NatWest Bk.(a)†	75	8.125	101.75	1997	2/1.5	NatWest Cap. Mkts.
FRENCH FRANCS						
Societe Generale(a)†	4bn	10	99.92	1993	0.25/0.0375	Societe Generale
Rep. of Finland(a)†	4bn	9	99.32	2003	35/20bp	CCF
YEN						
C.Itoh & Co.(f)‡†	30bn	(f)	100.25	1997	30/25bp	Daiwa Europe
Canon(g)‡†	30bn	(g)	100.25	1996	30/25bp	Yamaichi Intl. (Eur)
D-MARKS						
Mobil Oil Canada(a)†	150	8.375	101.75	1997	2/1.25	UBS (Deutsch.)

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Global issue to be priced on 9.7.92 to yield between 5 and 7bp over US Treasury Bonds. c) Coupon pays 45bp over 6-month Libor and payable semi-annually. Non-callable. d) Issued on partly paid basis; 25% on 14.7.92 and the balance on 17.12.92. Non-callable. e) Amount increased from FFr3.5bn. Non-callable. f) Coupon pays 20bp over 3-month Libor. Non-callable. g) Coupon pays 20bp over 3-month Libor. Non-callable.

Ercros formally files for protection from its creditors

By Peter Bruce in Madrid and Tracy Corrigan in London

ERCROS, the big Spanish chemicals group controlled by the Kuwait Investment Office (KIO), yesterday formally filed for protection from its creditors, along with its troubled fertiliser division, Fesa-Enfersa. The two companies have combined debts of $1.56bn.

The filings, in Madrid and Barcelona, end weeks of agonising over how to deal with the Ercros groups' total debt of $2.15bn – yesterday's filings exclude the group's chemicals, mining and explosives businesses – following the KIO's refusal to make new funds available without a broader agreement on assistance from creditor banks and the Spanish government.

KIO, through Torras, its Spanish holding company, owns 39 per cent of Ercros, which lost $160m last year. Salomon Brothers has been appointed as adviser to the KIO in an effort to sort out its Spanish investments.

Mr Francisco Luzon, chairman of the state-owned Banco Exterior, which is owed more than $200m by Ercros, has sharply criticised the decision to go into receivership and has warned that all of KIO's industrial companies may be threatened by it.

In London yesterday, KIO was taking legal advice on the effect of its filing on a £100m convertible guaranteed by Torras. The trustee of the bond issue, the Law Debenture Trust Corporation, is still considering whether the filing, which represents an event of default, is prejudicial to bondholders.

If the trustee decides to ask for repayment of the bonds, they would be repaid at 102 per cent of their face value. Such a step would be subject to the approval of bondholders. But bondholders will have the option to put the bonds at 125.25 in August 1993. If they believe the principal is safe, bondholders may chose to sit it out until next year's put option.

The price of the bonds has fallen sharply in the last few days, due to the risk of early redemption. In the wake of yesterday's filing, the bonds were bid at 103, down eight points on last week.

Tokyo eases rules on shelf registrations

THE JAPANESE Ministry of Finance (MoF) is to ease shelf registration rules for domestic bond issuers, Reuter reports from Tokyo.

Issuers will be allowed to use credit ratings as a criterion. Companies with ratings of single A or better from two or more designated domestic or overseas credit rating agencies will qualify for shelf registration.

Stock market listed companies with an average Y500bn ($4bn) in shares outstanding for the past three years will be able to make a registration. Under the current rules, companies must have Y500bn in share value at the time of registration.

There is no change in the current requirement that unrated companies wishing to make a registration must have a minimum three year's financial disclosure on the Tokyo Stock Exchange.

US Treasuries run out of steam ahead of auction

By Patrick Harverson in New York and Tracy Corrigan in London

AFTER several consecutive days of strong gains, US Treasury prices weakened yesterday ahead of the afternoon auction of seven-year notes.

GOVERNMENT BONDS

In late trading, the benchmark 30-year government bond was down ⅛ at 104⅞, yielding 7.605 per cent. The two-year note was also lower, down ⅛ at 101⅛, to carry a yield of 4.365 per cent.

Although prices firmed overnight on foreign markets, when trading opened in New York dealers quickly pushed Treasuries lower as they prepared for the afternoon sale of $9.75bn in seven-year notes. The five-year note was particularly heavily sold as dealers raised cash for the auction.

That cash was put to good use when the auction commenced, and in the wake of solid demand for the new issue, the sale of seven-year notes was closed out at an average yield of 6.44 per cent, with a one-point tail and with 39 per cent of all bids tendered at the high yield.

In the credit markets, the Federal Reserve intervened with a round of overnight system repurchase agreements in an attempt to counter a firm Fed funds rate by adding reserves to the system. Fed funds had been trading at 3⅝ per cent, above its new target of 3¼ per cent. By late afternoon, however, Fed funds were still trading above their target at 3¼ per cent.

■ EUROPEAN bond prices were stable yesterday as a bland G7 communiqué failed to provide markets with any direction.

Gilt prices ended fractionally weaker, when sterling slipped outside the notional narrow band it has been tracking in the Exchange Rate Mechanism. The currency weakness undermined the otherwise bullish tone of the market, dealers said.

"There has been a marked rally over the last week," said Mr Simon Briscoe, economist at Midland Montagu. "[Yesterday's slight weakness] represents a slight retrenchment, rather than a setting in of pessimism."

The market has been slightly soggy, because most of last Friday's £600m gilts tap is still unplaced.

■ GERMAN bund prices ended unchanged as traders positioned themselves ahead of today's issue of 10-year bunds. The new issue is expected to total DM10bn to DM15bn, and to have an 8 per cent coupon, and be priced above par, according to traders.

■ IN JAPAN, government bonds reached a two-and-a-half-year high as sentiment was buoyed by the strength of the yen. The benchmark No 129 traded at 5.17 per cent in Japanese trading before the price fell slightly to end at 5.22 per cent in European trading.

Mr Gerard Lyons, chief economist at DKB International, expects the market to "continue to firm", underpinned by weak economic demand in Japan, as well as a firm currency.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.4728	-0.430	8.73	8.84	8.95
BELGIUM		9.000	06/01	101.1000	-0.150	8.81	8.87	8.87
CANADA *		8.500	04/02	105.1300	+0.3000	7.75	8.17	8.30
DENMARK		9.000	11/00	99.9000	-0.070	9.00	9.05	8.91
FRANCE	session	8.500	03/97	98.1642	-0.109	8.97	9.01	8.92
	OAT	8.500	11/02	98.4100	-0.090	8.72	8.78	8.70
GERMANY		8.000	01/02	100.2200	-0.010	7.95	8.01	7.91
ITALY		12.000	05/02	95.1800	+0.350	13.28†	13.34	13.19
JAPAN	No 119	4.800	06/99	96.9889	+0.047	5.40	5.44	5.75
	No 129	6.400	03/00	106.5111	-0.178	5.22	5.23	5.51
NETHERLANDS		8.250	02/02	99.7700	-	8.27	8.30	8.29
SPAIN		11.300	01/02	98.1500	+0.300	11.60	11.76	11.35
UK GILTS		10.000	11/96	103-00	-5/32	9.14	9.16	9.25
		9.750	08/02	104-19	-8/32	9.05	9.10	9.18
		9.000	10/08	101-04	-4/32	8.84	8.90	9.03
US TREASURY *		7.500	05/02	104-08	-11/32	6.89	7.09	7.32
		8.000	11/21	104-18	-3/32	7.60	7.75	7.85
ECU (French Govt)		8.500	03/02	97.4100	-0.140	8.90	8.92	8.99

London closing, *denotes New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

L&G increases weighting of bonds in pension funds

By Simon London

LEGAL & GENERAL, the UK insurance company, has increased the proportion of bonds held by its pension funds and expects to further increase the weighting in favour of fixed-income investments through the 1990s.

Mr David Shaw, head of fixed income investment, said the return on UK bonds and UK equities was likely to be much closer in the 1990s than in the 1980s. Since 1986, the total return from UK bonds and equities has been virtually identical, he said.

L&G now holds 5½ to 6 per cent of pension fund assets in sterling bonds, against an industry average of close to 3 per cent.

Mr Shaw pointed to two main reasons why fund managers are reluctant to switch cash out of equities:

- Most institutional investors are keen to retain existing fund management business. Maintaining portfolio weightings in line with the industry average is the safest way to achieve this "defensive" goal;
- Asset allocation decisions are guided by an actuarial assessment of the returns needed to meet pension fund liabilities. Since most UK pensions are linked to final salary, real dividend growth from equities is the only way to match liabilities in periods of high inflation.

Fund managers will be unwilling to switch into bonds until actuarial assumptions about inflation and dividend growth are changed.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 8

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	107	107⅜	+⅛	5.44
ALBERTA PROVINCE 9 3/8 95	600	110⅝	111	+⅛	5.73
AUSTRIA 8 1/2 00	400	108½	108⅞	+⅛	7.00
BANK OF TOKYO 8 3/8 96	100	106⅝	107⅛	+⅛	6.38

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS BK 7 94 LFr	600	94⅝	95⅛		9.97
COPENHAGEN TEL 8 5/8 96 LFr	600	98⅝	99⅝		9.15
WORLD BANK 8 96 LFr	1000	96⅞	97⅞		8.99
ENERGIE BEHEER 8 3/4 98 Fl	500	102⅜	103⅜		8.16

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	100¼	100½		4.56
CREDIT FONCIER 5 1/4 94	20000	100⅞	101⅛	+⅛	4.85
DENMARK 7 95	40000	105⅛	105⅜		4.81
EIB 4 5/8 94	40000	100⅞	101⅛	+⅛	4.11
ELEC DE FRANCE 5 5/8 96	30000	102⅛	102⅜		4.99
FINLAND 6 3/4 96	50000	104⅛	104⅜	-⅛	5.37
INTER AMER DEV 7 1/4 00	30000	109⅞	110¼	-⅛	5.65
KANSAI ELEC PWR 4 5/8 94	60000	99⅞	100⅛		4.69
NIPPON TEL & TEL 5 7/8 96	50000	102⅛	102⅜		5.23
NORWAY 5 1/8 95	50000	100⅝	101		4.82
SNCF 6 3/4 00	30000	107¼	107½	-⅛	5.57
SWEDEN 5 5/8 95	20000	101⅜	101⅝		5.14
WORLD BANK 6 3/4 00	50000	108	108¼		5.44

CONVERTIBLE BONDS (continued)					
LAND SECS 6 3/4 02 £	84	6.72	81⅜	82⅜	+36.03
LASMO 7 3/4 05 £	90	5.64	76⅝	77½	
MITSUI BANK 2 5/8 03	200	2332.6	62	64	+45.13
MOUNT ISA FIN 6 1/2 97	100	2.283	103⅜	104⅜	+47.38
OGDEN 6 02	85	39.077	82⅜	83⅜	+71.58
SEGA ENTERPRISES 3 1/2 96	200	13018	101⅛	102⅛	+35.69
SMITH & NEPHEW 4 02 £	90	1.775	124⅝	125⅝	+34.15
SUMITOMO BANK 3 1/8 04	300	3606.9	61	62⅛	+61.17
TEXAS INSTRUMENTS 2 3/4 02	300	82⅜	93⅜	94⅛	
THORN EMI 5 3/4 04 £	103	7.16	121½	122½	+11.82

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price: the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by International Securities Market Association.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	70	9
Other Fixed Interest	3	10	2
Commercial, Industrial	83	577	781
Financial & Property	37	306	451
Oil & Gas	6	32	49
Plantations	0	0	9
Mines	8	71	71
Others	17	70	45
Totals	157	1,136	1,417

LONDON RECENT ISSUES

EQUITIES

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. ¶ Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♦ Units comprising 1 Ord and 1 Zero Div Pref share.

FIXED INTEREST STOCKS

RIGHTS OFFERS

LIFFE EQUITY OPTIONS

July 8 Total Contracts 28,316
Calls 14,168 Puts 14,148
FT-SE Index Calls 4,907 Puts 10,552
Euro FT-SE Calls 1,370 Puts 238
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTIONS

- First Dealings July 6
- Last Dealings July 17
- Last Declarations Oct. 1
- For settlement Oct. 12

3-month call rate indications are also shown on this page.

Calls in Clarke Foods, Harland Simon, Hartstone, Forte, Ladbroke, News Intl., Owners Abroad, Premier Cons. and TSB. Put in Next.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	28	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
BT	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

Turning the wheel at Saab UK

Bryan Hatter is sliding out of the driving seat at Saab Great Britain, a wholly-owned subsidiary of the Swedish executive car-maker which is now controlled jointly by Saab-Scania and General Motors.

Hatter, 56, who cut his executive car sales teeth with rival BMW (Great Britain), where he was national sales manager until joining Saab in 1987, is Singapore-bound.

There he will take the wheel as regional director for Saab Automobile's Region Asia/Pacific, a vast sales zone which under Saab's broad definition includes the Middle East.

Hatter's move is part of a general shake-up of Saab – still making losses, albeit much reduced – as it prepares for an intensive new model programme which, thanks largely to GM cash infusions, will see a succession of wholly new cars being launched from next year.

Earlier this week it was announced that David Herman, who has overseen the start of the revival at Saab Automobile since it became a joint venture company with General Motors in 1990, was moving on to become chairman and managing director of Adam Opel, GM's German car subsidiary.

Moving up to succeed Hatter as managing director at Saab GB is 42-year-old Will Edwyn-Jones, who has barely had time to warm the seat of the company's sales and marketing director, to which he was promoted from general sales and marketing manager earlier this year.

Completing the shuffle inside the UK operation is the appointment of Paul Richmond, formerly finance director, to be Edwyn-Jones' deputy, and the appointment to the board of Chris Banks, to be responsible for all sales, dealer development, business management and training activities.

Hatter's departure also leaves the Society of Motor Manufacturers and Traders with a gap on its Car Importers Section, of which he has been chairman.

■ The first price skirmishes of the summer holiday season are over and Britain's tour operators are waiting to see whether fierce and damaging discounting continues into July and August.

The tour operator UNIJET has used the full in hostilities to appoint Philip Ovenden as managing director of its Viking International Air Chartering subsidiary. The subsidiary sells aircraft charter seats both in-house and to other providers of package holidays.

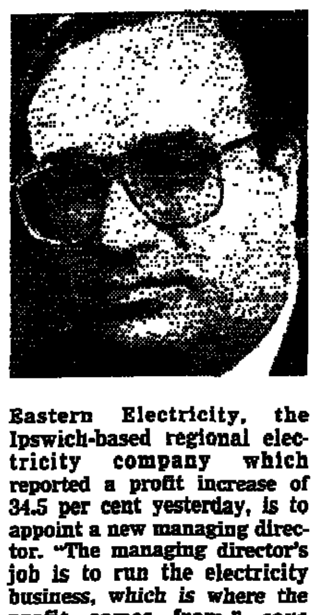
Ovenden is no stranger to travel industry boom and bust. He previously worked for Harry Goodman's International Leisure Group, which collapsed last year. He has since been responsible for long-haul operations at tour operator Meon Villas.

■ Robert Fox, chairman of Richmond Oil & Gas and a former Lasmo director, is to become chief executive of the London-quoted, US-based natural resources company. Joint managing directors David Wilkinson and Michael Hogue will report directly to him. Fox was appointed chairman in 1990 at the instigation of large shareholder County NatWest, following the failure of a £31m placing to fund acquisitions.

Liz Davies joins Mothercare

Liz Davies has been appointed buying director of MOTHERCARE, the Storehouse subsidiary. She was involved in the formation of Next in 1981, and had been product director for two years before she and her then husband George Davies were ousted in 1989; she was instrumental in creating Next B&G, for boys and girls, and in 1989 helped create childrenswear for Asda while part of the George Davies Partnership.

She has two daughters, aged four and three.



Eastern Electricity, the Ipswich-based regional electricity company which reported a profit increase of 34.5 per cent yesterday, is to appoint a new managing director. "The managing director's job is to run the electricity business, which is where the profit comes from," says James Smith, Eastern's chairman.

John Devaney, 46, is currently chairman and chief executive of a US company, the Detroit-based Kelsey-Hayes, an automotive components company, and a subsidiary of Varity Corporation, formerly Massey Ferguson.

Devaney, who replaces Walter Waring when he retires in August, is a chartered engineer and a Lancastrian by birth. After training with Perkins Engines in Peterborough, where he became managing director in 1983, he moved to Toronto with Varity Corporation in 1988. He took up his present appointment in 1989.

Naylor bowls into MAM

If James Naylor, the new chief executive of Chrysalis's MAM Leisure business, were to admit to making a mistake, it would be his decision to branch out on his own at the peak of the last economic upswing.

Having helped organise the £37.5m management buy-out of First Leisure from Trust House Forte in 1983 – First Leisure is now worth £450m – Naylor left in 1987 to set up Whitegate Leisure, a bowling alley and discothèque operator. His departure coincided with the downturn in leisure spending, Whitegate ran into serious financial difficulties, and Naylor resigned in January after policy differences.

By contrast, his fellow joint managing director at First Leisure, John Conlan, stayed put and less than a year later took over as chief executive of what has become one of Britain's most successful leisure businesses.

Naylor, 46, who has an MBA

from New York's Columbia University, has spent nearly 20 years in the leisure business, including stints at Cunard and Thorn EMI. He says that his skills lie in "taking a business that is a bit moribund and bringing a fresh approach to bear".

He takes over as chief executive from Peter Hazlerigg, a main board director who, in addition to his board responsibilities, will remain non-executive chairman of MAM which takes in Chrysalis's amusement machine business.

■ Robert Jeens, finance director of Kleinwort Benson Ltd, has been appointed group finance director of Kleinwort Benson; he succeeds Kenneth Morton who remains a member of the board.

■ Angus MacLennan has been promoted to general manager of the London branch of DEN DANSKE BANK. His predecessor Bo Jagd is to become md of the DANISH SHIP FINANCE.

■ Charles Avis has been appointed md of LIBERTY EURO BROKERS.

■ Denyse Anderson and David Norris have been appointed directors of the LAW DEBENTURE TRUST CORPORATION.

ADAPTING TO A CHANGING EUROPE

ADVERTISEMENT

Building on Diversity

The structural changes now taking place in one of its key product sectors have presented Hitachi, Ltd. with major challenges. But the company's new president, Tsutomu Kanai, believes that by building on Hitachi's many strengths these challenges will be successfully met.

By Russell McCulloch

Dr. Tsutomu Kanai, *President, Hitachi, Ltd.*

McCulloch: Have you introduced any changes in Hitachi's corporate philosophy since your appointment as president in June last year?

Kanai: From the time of Hitachi's establishment more than 80 years ago, the company's guiding philosophy has been to contribute to world development by producing and marketing innovative products based on creative technology. Although the scope of our business operations and the number of products in our catalogues have expanded markedly since then, that philosophy has remained unchanged.

But our company philosophy should not be confused with our corporate strategies which must be adjusted constantly to cope with changing economic and market situations.

McCulloch: Has the current recession forced you to introduce major changes in Hitachi's corporate strategies?

Kanai: One aspect of a company's corporate strategy is the way in which it organises its operations, and in this regard the recession has forced us to make several changes.

In the area of consumer products for example, the slow business climate in this sector in Japan is due to the bursting of Japan's "bubble" economy. To cope with this, over the past 12 months we have reorganised our systems for marketing, designing and manufacturing.

Previously, the plants which manufactured these items were considered profit centres and were involved in the design and marketing of the products they manufactured.

Reorganising to Boost Efficiency

However, these are now viewed as only production bases and the divisions in our head-office responsible for such products have assumed a greater role in design and sales. Similar changes in organisational structure have also been introduced in other fields such as telecommunications and semiconductors although others such as the transportation and the power and industrial systems divisions have remained unchanged. Hitachi is a big company manufacturing over 20,000 types of products, so we cannot make these kinds of changes suddenly.

McCulloch: How is Hitachi coping generally with the recession?

Kanai: The cause of the present slowdown varies from product to product and the measures we are taking reflect this. As I explained previously, the recession has been brought about by the weakening of the Japanese economy and the decline in consumer spending so, in consumer goods, for example, we have introduced organisational changes to lower costs and increase efficiency.

However, for other products the cause relates more to cyclical and structural changes rather than simply the worldwide economic recession. The kinds of countermeasures we can introduce are restricted to streamlining our operations while we decide on the kinds of strategies appropriate for the longer term.

McCulloch: Could you give me an example?

Kanai: The most appropriate example is the semiconductor business. This sector is undergoing major structural change which has been merely hastened by the current economic recession. In the past when a new memory chip was introduced, it would gradually supersede existing chips which were less powerful. In what has become known as the "silicon cycle", the 1 megabit DRAM chips gradually replaced the earlier 256K varieties.

However, today this is no longer the case because we can see several types of memory chips all being used in the market at the same time. This has forced us to be more cautious about investment in this area.

For example, at Hitachi semiconductor (Europe) in Germany we have established post-processing or "back-end" processing facilities for 4M DRAM chips where the chips are assembled, tested and packaged. We were intending to expand the plant's operations and install pre-processing facilities for wafer fabrication as well. However, this would require a huge investment, and because of the recession and the structural changes taking place in the semiconductor market, we are now reviewing this plan.

McCulloch: As a sign of support for MITI's (the Japanese Ministry of International Trade and Industry) "Business Global Partnership" programme, Hitachi has promised to boost imports of semiconductors. In the current market climate, will this now be difficult?

Kanai: To a certain degree our plans have been affected by the slump in semiconductor demand in Japan but several things must be kept in mind.

Pledge Made to Double Imports

The first is that we pledged to double the value of our imports of products including semiconductors from about ¥200 billion during our 1991 fiscal year to ¥400 billion in fiscal 1994. These imports include products manufactured by our overseas subsidiaries. As you know, the purpose of MITI's three-year programme is to encourage major Japanese corporations to take steps to correct global trade imbalances. Although the present market environment in Japan and worldwide may not be bright for these types of products and equipment, the programme still has several years to run and I am confident that we will honour our pledge. Already we have been able to lift exports of electric appliances from our Southeast Asian assembly plants to Japan.

The second fact is that MITI's programme is not solely directed at increasing imports but simply at balancing trade.

New Disk Plant Operational

In February last year Hitachi Computer Products (Europe) was established and a plant was built in Orleans, France, to manufacture large magnetic disk subsystems. This plant will soon become fully operational and as a result, the volume of disks we are now exporting from Japan to Europe will be greatly reduced because of the availability of local supply.

McCulloch: Is this kind of investment in offshore manufacturing just a response to growing trade friction or does it represent the start of a new era in Hitachi's global operations?

Kanai: This is not so much the start of a new era but simply an extension of our corporate philosophy of using creative technology to supply products for the world. Basically, the age when Japanese companies only sold products made in Japan is over.

We have already achieved local production of consumer products and today we need to begin local production of hi-tech products such as semiconductors and computers, as we have done in Europe. In line with our philosophy, we should use our technology and management capability—and sometimes our financial strength—to make ourselves a local company working in Europe or the U.S. for the benefit of people in those communities.

McCulloch: You have been quoted as saying that because of the huge investments necessary today for developing new products, companies such as Hitachi will be forced to cooperate more in future. What did you mean by this?

Kanai: With the pace of technological development in all areas being so rapid these days, it is impossible for Hitachi to win in every field. Many companies have their own strengths, and we should cooperate together in the form of a complementary alliance.

Blood Analyzer Holds One-third of World Market

An excellent example of this is our relationship with the German pharmaceutics and diagnostics company Boehringer Mannheim with whom we cooperated to develop our automatic blood chemistry analyzer, which now has about one-third of the world market for this type of medical equipment.

McCulloch: Following on from that, how is it possible for a company which builds power stations and steel rolling mills to be successful at manufacturing items as small as integrated circuits?

Kanai: In terms of sales for Hitachi, Ltd., information systems and electronics accounts for about 34 per cent and sales of power and industrial systems accounts for about 29 per cent so it is clear that we are successful in both electronics and heavy engineering.

The reason lies not only in the skills of our engineering staff but also in the synergy we have achieved inside our company. A piece of construction machinery may appear to be a heavy engineering item but in fact a vast amount of sophisticated electronics is required to operate such equipment. Hitachi is probably the only company which can provide both, and this is one of our strengths. In the future, these two fields will be further integrated.

HITACHI

HITACHI, LTD.: 6, Kanda-Surugadai 4 chome, Chiyoda-ku, Tokyo 101, Japan
Tel: 03-3258-1111

HITACHI EUROPE LTD.: Whitebrook Park, Lower Cookham Road, Maidenhead, Berks SL6 8YA, U.K.
Tel: 44-628-585000

FT LAW REPORTS

Marine insurance claim fails

THE WONDROUS
Court of Appeal
(Lord Justice Lloyd, Lord Justice Nourse and Lord Justice McCowan):
June 16 1992

A SHIP'S loss of earnings arising out of its inability to leave port because of failure to pay port dues is not covered by loss of hire insurance incorporating the new Institute War and Strikes hulls clauses, unless it tries to leave and is forced to stay, in that there is no "detainment" within the meaning of the policy, or if there is it is a conditional detainment dependent on a conditional infringement of customs regulations and is excluded from the policy as being "by reason of" infringement.

The Court of Appeal so held when dismissing an appeal by Ikerigi Compania Naviera SA and others, owners of the Wondrous, from Mr Justice Hobhouse's decision that they could not recover from underwriters, Mr GCF Palmer and others, under two policies of marine insurance.

LORD JUSTICE LLOYD said the Wondrous was chartered to load 30,000 tons of molasses at Bandar Abbas in the Persian Gulf for carriage to Europe. It arrived on March 10 1987. It did not sail until October 17 1988. By then huge liabilities had been incurred for port dues and demurrage.

On October 20 1987 the shipowners claimed against the Hellenic War Risks Club for constructive total loss of the vessel. On July 14 1988 the club compromised the claim. It paid fifteen-sixteenths of the insured value of the hull but declined to accept notice of abandonment.

So the shipowners were left with the vessel, which they sold, and the proceeds of insurance. They also received gross freight of $644,000 when the vessel eventually discharged at Aarhus in Denmark, plus $84,000 dead freight. Out of the gross freight they paid port dues and other charges. The net freight received was $326,607.

The shipowners were covered under a loss of hire policy for "war loss of hire and/or earnings".

The policy was subject to the Jardine Glanvill Ltd war loss of hire wording No 1, 17.4.84 which provided that the policy should only pay if, in consequence of the risks enumerated in the Institute War and Strikes Clauses Hulls Time 1.10.83, the vessel was prevented from earning hire.

By clause 1.2 of the hulls clauses the insurance covered loss to the vessel caused by "seizure, arrest, restraint or consequences thereof". By clause 4.1.5 it excluded "arrest, restraint, detainment ... under quarantine regulations or by reason of infringement of any customs or trading regulations".

The shipowners said the vessel was prevented from earning hire in consequence of being "detained" within the meaning of clause 1.2, and that they were entitled to recover $900,000.

The underwriters relied on the clause 4.1.5 exclusion of detainment "by reason of any customs or trading regulations".

Mr Justice Hobhouse found that until October 1988 the vessel did not have clearance under local customs regulations to leave Bandar Abbas. If it had tried to leave it would have been forcibly detained.

There were two requirements to be satisfied before it could obtain clearance. The first, which was the vessel's responsibility, was payment of port dues plus a local tax on freight. The second, which was the exporter's responsibility, was the furnishing of a foreign currency guarantee (FCG) in respect of the cargo.

As to the first requirement, the judge found that the immediate cause of the detention was failure to comply with local custom laws. But he referred to "detention" in the conditional sense that if the vessel had tried to leave before paying port dues it would have been forcibly detained. In that sense only was it being detained.

As to the furnishing of the FCG by the exporter, he found that if the owners had been prepared to put up the foreign exchange, the Iranian authorities would have been satisfied.

As to clause 4.1.5, he held that the exclusion of loss arising from restraint or detainment "by reason of infringement" of customs regulations applied. He said "restraint" and "detainment" had to be given a wide commercial interpretation and in a commercial sense the vessel was detained "by reason of infringement" of customs regulations. It was the customs regulations that made it illegal to sail.

That reasoning was correct. The judge correctly emphasised that the detention was conditional. The threat of detainment depended on prior infringement. Therefore, if "detainment" in clause 1.2 must be read as including conditional detainment, so must "infringement" in clause 4.1.5 include conditional infringement.

Mr Hallgarten for the shipowners argued that infringement must mean "actual infringement".

That was an oversimplification because:
(1) In the case of quarantine regulations there did not need to be actual infringement – it was sufficient that detainment was "under" the regulations. Why should the parties have required something different in the case of customs and trading regulations?
(2) It did not make commercial sense to distinguish between actual and threatened infringement. If the vessel had attempted to leave but had been stopped the exclusion would have applied. Why should owners recover merely because they made no attempt to leave?
(3) "Capture, seizure, arrest etc" in the context of a war risks policy referred to political or executive acts. Clause 4.1.5 identified the sort of arrest, restraint or detainment the draughtsman had in mind.

If that was the right approach, failure to obtain normal customs' clearance, for whatever reason, was outside the cover whether or not there was an actual infringement of *customs regulations.*

If there was a detainment within clause 1.2, there was an infringement within clause 4.1.5.

But it was preferable to say reading the two clauses together that there was not a detainment within clause 1.2 at all.

It was common ground that if there was no detainment within clause 1.2, the shipowner's claim under the loss of hire policy must fail.

Clause 4.1.6 excluded loss or damage "arising from ... any financial cause".

The judge thought failure to provide the FCG was not a financial cause since "financial cause" must be read as applying to the ship and owners but not to cargo.

There was no reason to confine the words to causes for which the shipowners were responsible. In the context of a war risks policy they should be given their ordinary meaning.

The shipowners were also covered under a freight policy for risks set out in the Institute Time Clauses Freight, and the Institute War and Strikes Clauses.

The judge held there was no loss of freight. He was right. Gross freight was earned on the cargo when the vessel discharged at Aarhus. The policy did not cover the increased cost of earning the freight, or the charterers' failure to pay freight when earned.

Nor was there a partial loss of freight.

Inman [1882] 7 App Cas 670 decided that, where there was a deduction from freight under a discretionary power conferred by charterparty, there was no loss of freight, total or partial.

There was no difference between a discretionary power conferred under the charterparty and a subsequent agreement whereby shipowners agreed to defray certain expenses out of gross freight receivable.

The claim for partial loss of freight was rejected.

The appeal was dismissed.

Their Lordships agreed, but Lord Justice McCowan took the view that in the wording of clause 4.1.5 the parties had chosen to distinguish between quarantine regulations and customs and trading regulations, and that the courts were not entitled to redraw the bargain for them.

For the shipowners: Anthony Hallgarten QC and Charles Haddon-Cave (Davis Grant & Horton, Plymouth).

For the underwriters: Nicholas Legh-Jones QC and Timothy Young (Hill Taylor Dickinson).

Rachel Davies

Barrister

Growth in distribution profits outweighs supply deficit

Eastern Electricity ahead 35%

By Juliet Sychrava

EASTERN Electricity yesterday announced pre-tax profits of £143.1m for the 12 months to March 31, a 35 per cent advance on last year's pro-forma £130.6m.

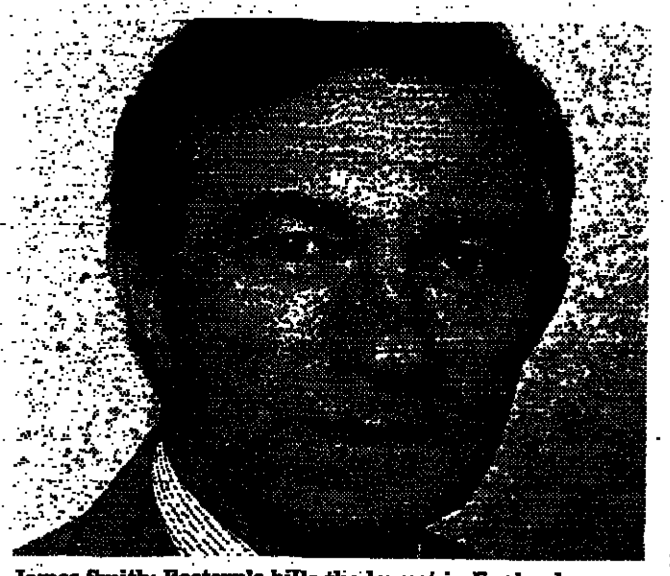
The group, the last of the 12 regional electricity companies to report, lifted earnings per share by 30 per cent from 29.8p to 38.6p.

A final dividend of 11.85p is recommended, making a total for the year of 16.7p. This represents a 15.5 per cent improvement, the second highest in the industry.

Unlike most regional companies which benefited this year because of the effects of undercharging in 1991, Eastern's profits were depressed by undercharging in both years. Without this effect, the increase would have been about 23 per cent.

Because of this undercharging, as well as rising costs, bad debts and depreciation, the company's supply business, which buys and sells bulk electricity, incurred a loss of £9.7m compared with a profit of £14.6m the year before.

Mr James Smith, chairman, said Eastern's pricing policy was designed to give customers excellent value for money. Average electricity bills in



James Smith: Eastern's bills the lowest in England

Eastern's area were the lowest in England and Wales, he said.

Most of Eastern's income was earned by the distribution business, which made £175.9m (£114.7m). This was partly due to higher tariffs, but also to electricity sales growth of 1.8 per cent, above the average for the country.

Costs in the electricity business fell by 3.6 per cent in real terms, saving £8m as 250 jobs were lost, mainly in the distribution business.

The retail business made a trading profit of about £2m, but £5.6m of restructuring charges relating to the company's retailing joint-venture with Southern Electric, set up during the year, turned that into a loss.

Similar restructuring charges depressed profits for contracting and generation, giving an overall loss of £9.3m for the company's non-regulated businesses.

Next year the supply business should be in profit as the £12m lost from undercharging this year is not expected to recur.

Retail may break even or make a small loss and the restructuring costs will not recur in the non-core businesses. Electricity sales are expected to grow by about 1 per cent.

● COMMENT

Eastern's loss on the supply side implies bad management and the company is unlikely to recover this year the short fall from that undercharging. But it can console itself that the loss has depressed profits and the rate of return to levels more pleasing to the regulator. And although the company increased its prices by an above average 3.22 per cent this April, it still charges less per unit than other regional companies. Eastern also outshone most regionals on cost cutting. Shareholders may wonder whether the outlook for the underlying businesses justifies the substantial dividend increase. The cover at 2.3 times is low for the sector. The City forecasts pre-tax profits of £160m-£187m for the year to March 1993, putting the company on a p/e of 5.6 to 6.3. A dividend in the range of 17.5p to 18.25p is forecast.

French Connection dives £8m into the red

By Peter Pearse

FRENCH CONNECTION Group, the USM-quoted clothing wholesaler and retailer which has recently undergone substantial changes of management and activities, plunged from profits of £57,000 into pre-tax losses of £7.95m in the year to January 31 1992.

Despite the "entirely unsatisfactory" results, the group won the continued support of its bankers about six weeks ago. "We showed them a budget they could live with and a strategy they could understand," Mr George Wardale, chairman, said. At the year-end bank borrowings stood at £6.7m, against shareholders' funds of £3m.

Of the £49.9m (£56.7m) turnover, only £3.1m had been contributed by Bukta Connection, the specialist company making replica football strips and not part of French Connection's core that last month was sold to its management.

After exceptional costs of £2.93m – £1.4m in respect of provisions against stock losses in Bukta and £1m for losses of the group's discontinued operations – and before interest payable of £1.08m (£1.24m), operating losses were £6.87m (profits £1.3m). Mr Wardale said some £2.5m of these losses derived from Bukta.

Extraordinary charges of £2.19m related to trading losses of – and the loss on the sale of – Bukta. Losses per share emerged at 40.6p (earnings 1.4p).

Having passed the interim dividend, the final is also omitted. Previously a total of 2.7p was paid.

Mr Wardale, who was previously chief executive of Highland Spring, the bottled water company, for six years, said that recessions show up the cracks in companies and "our cracks were large".

Apart from an inability to manage well, he said, the previous management had become involved in non-essential parts of the business. Bukta had branched out into shell suits which it had not been able to move.

French Connection (Germany) was closed in January 1990. In September and November respectively, Mr Michael Shen, group chief executive, and Mr Stephen Malme, finance director, were dismissed. Mr Stephen Marks ceded the chairmanship to Mr Wardale this April and in Mr Wardale's words "has moved back to centre stage concentrating on the product side" as chief executive. Mr John Ellis has been brought in as finance director.

Mr Shen and Mr Malme won damages and an apology from the group for wrongful dismissal and its allegations of "gross misconduct". Mr Shen was also paid £1m owed him by the group.

Mr Wardale said that, coming into a fight that had already started, he decided that "the interests of the group and its shareholders were not served by the continuation of the dispute". He felt that the whole board held "common responsibility for the not very distinguished performance".

Isosceles equity likely to be rendered worthless

By John Thornhill

THE 70 or more institutions with investments in Isosceles, the owner of the struggling Gateway supermarket chain, are continuing to haggle about the terms of a refinancing, but it seems increasingly likely that the company's £400m slab of equity will be rendered worthless.

This week 3i, the venture capital group, wrote off its £45m equity holding in Isosceles in its latest set of figures. This move followed the disclosure in May by Mercury Asset Management, the fund management subsidiary of SG Warburg, that it had written down its holding of Isosceles' equity by an undisclosed amount.

Wasserstein Perella, the US investment group, has the biggest exposure to Isosceles' equity with a 40 per cent stake. But the latest set of accounts filed at Companies House by Newgateway, which holds the shares on behalf of Wasserstein Perella, showed that it had not yet written down their value.

Standard Chartered, GE Capital, CINVen, and Murray Johnstone are the other big institutional equity holders. But 4,000 private shareholders who subscribed for Isosceles shares when it acquired Gateway three years ago are also locked into the company.

The refinancing talks have been plagued by the conflicting pressures of paying down debt and re-investing in the core business to keep it competitive. The company is seeking increased financial headroom to enable it to back its Food Giant and Somerfield chains.

However, the talks are also complicated by the different demands of the holders of the three classes of capital: senior debt, mezzanine debt and equity. Some individual investors hold more than one class.

An Isosceles spokesman said yesterday: "We do not know when these talks are going to conclude but they are making positive progress."

MTM to reorganise with staff cuts and £30m disposal plan

By Paul Abrahams

MTM, the troubled chemicals group, yesterday announced a board reshuffle, organisational restructuring and redundancies.

Mr Ken Schofield, recently-appointed chief executive, also said the company expected to raise between £20m and £30m from disposals, although he admitted it was a tough time to sell businesses.

The reorganisation follows pre-tax losses of £20.6m last year and the resignation of Mr Richard Lines, executive chairman, and Mr Tom Baxter, finance director.

Mr Schofield said he had three businesses that generated 35 per cent of sales and 85 per cent of profits. He planned to base the company around these three, which included Hardwicke in the US, the Lancaster research operations, and the AP speciality chemicals business at Leek in the UK.

"Otherwise we have a lot of non-performing businesses," he said. "There is no reason why we should be in intermediates for agrochemicals, specialised coatings or packaging. We need to keep it simple and end up with a structure that we can manage."

He added that he expected to dispose of the specialised coatings operations within the next few days. Following the disposals he expects to have reduced the workforce from 1,100 to 600.

In addition the numbers employed at the Rudby Hall headquarters near Middlesbrough will be cut from 44 to 16. These changes should achieve savings of about £1m this year and £3m next. They will cost £500,000 this year.

Mr Schofield said the company had made available to the Serious Fraud Office the report from Binder Hamlyn, the group's auditors, on how MTM had come into its present difficulties. However, the SFO had indicated it did not believe the matter warranted its attention.

Meanwhile, MTM announced it was restructuring its operations into three divisions: research chemicals, fine chemicals and performance chemicals. Mr Schofield said this would give greater orientation towards profit centres.

The company said Mr Kenneth Carter would join MTM this month from British Fuels as finance director. He will also be responsible for the performance chemical division. Mr Neville Newson, former head of European operations, has left the company and the board. Mr James Freiderichsen takes over the fine chemicals division and Mr Alec Ingram assumes responsibility for the research chemicals division.

SB to dispose of its personal care products

By Paul Abrahams

SMITHKLINE Beecham, the Anglo-American pharmaceuticals and consumer products group, is looking to dispose of its low-margin personal care products.

The company said yesterday it wanted to focus on health products, like pharmaceuticals, over-the-counter non-prescription medicines and health-related drinks such as Horlicks, Ribena and Lucozade.

Ideally it would like to swap the personal care brands for OTC pharmaceutical brands. However, it would be willing to pay cash at the same time, as the pharmaceuticals business was highly cash generative and successful OTC brands were difficult to create.

The company refused to say which of its brands were available for sale. Its personal care products include Brylcreem, Vosene and Badedas. However, it treats oral hygiene products and feminine brands as OTC products.

SB said it was already in negotiations with a number of companies but refused to identify them. The move would be part of a wider reorganisation of the consumer brands business, it said. The personal care products businesses made sales last year of about £300m; the OTC operations generated revenues of £700m in the same period.

"There are plenty of sensible reasons for strengthening the OTC side," said Mr Mark Brewer, pharmaceuticals analyst at Crédit Lyonnais Laing. "The problem is it's difficult to imagine anyone wanting to swap their OTC products for personal care brands."

Most pharmaceutical groups are building up their OTC businesses. One reason, explains Mr Brewer, is to compensate for lost sales of ethical prescription products when they lose their patents.

SB is looking to gain a licence in the US to sell Tagamet, its best-selling ethical medicine, over the counter. The drug, used to treat ulcers, comes off-patent in the US in 1994.

OTC brands based on former prescription products can command higher prices.

ITV offers to buy Thames programmes

By Raymond Snoddy

Thames Television has been offered its first big independent production deal for next year – the year the company ceases to be an ITV broadcaster.

The ITV companies want to buy a package of the company's most famous programmes for next year's schedule in a deal worth about £22m.

The programmes include The Bill, This Is Your Life, Wish You Were Here?, and Minder.

After Thames was outbid by Carlton Television in last year's competitive tenders, Mr Richard Dunn, Thames' chief executive, said his main aim was to become the UK's leading independent television producer. He declined to comment last night because he had not yet received the details of the ITV offer.

The deal can only be for the first eight months of next year because ITV has not yet got its new network commissioning structure in place. That structure also needs to be approved by the Office of Fair Trading.

Newman Tonks falls 9% as recession continues

By Roland Rudd

NEWMAN TONKS, Europe's biggest supplier of door, window and electrical fittings to the building industry, reported a 9 per cent fall in pre-tax profits from £7.31m to £6.62m for the half year to April 30.

Mr Geoff Gahan, chief executive, said the fall occurred against a background of the worst UK building recession in history. He predicted the downturn would continue for the rest of the year. Sales were static at £109m.

About half of the group's sales are based overseas. Without this geographical spread Mr Gahan said the results would have been "significantly worse". The UK workforce was reduced by a further 5 per cent leading to the loss of 250 jobs.

US companies, particularly NT Falcon, the California-based lock manufacturer, increased sales and profits.

The group has had to pay an additional £273,000 for recently acquired NT Shapland, the largest commercial timber door manufacturer, because its pre-tax profits for the year to end-March exceeded expectations.

It made £1.7m against a forecast of £1.55m. Mr Gahan said he was "delighted" to have paid the extra money for Shapland because of its profit growth.

Another recent acquisition, Moller & Auster, the lock distributor and security systems group, has been integrated into the group's distribution business in Norway to form NT Moller Undall.

Mr Gahan said the group would continue to review acquisition opportunities. "Over the last six months we have had more offers than at any time over the last few years."

A reduced interest charge of £467,000 (£570,000) was due to the fall in borrowings from £20m to £14m, representing gearing of 16 per cent.

The interim dividend is maintained at 3.8p, uncovered by earnings of 3.5p (4.55p).

Panel stops publication of Greene King results

By Roland Rudd

GREENE KING, the East Anglia-based brewer which is engaged in a hostile £102.6m bid for Morland, the Thames Valley brewer, has been prevented by the Takeover Panel from publishing its results for the year to May 3 1992.

The Panel decided that publication of the results, due to take place today, could have affected the outcome of the bid.

Greene King, after buying a further 100,000 Morland shares, has 47 per cent of Morland. The offer closes on Friday, although it can be extended until July 27.

Over the past few weeks Greene King has been challenged by Morland to issue a profit forecast for the year. Greene King's stockbrokers have forecast that full year pre-tax profits would slip from £19.1m to £18.8m or £18.5m. Greene King was also planning to announce the revaluation of its assets which it does every five years. The last revaluation was in 1987.

Greene King is offering 4.5 convertible shares – which yesterday amounted to 484p – for each Morland share. There is a cash alternative of 450p.

Both companies were constrained by the Panel in what they could say publicly about the decision. However, Mr Simon Redman, chairman of Greene King, said he was extremely disappointed by the Panel's decision.

He added that current trading conditions remained "most satisfactory" and that the board still intended to recommend a final dividend of 8.1p.

Greene King believed its results would have bolstered its position, while Morland believed the opposite.

As Greene King's results will not be published until after the end of the offer period Morland's shareholders will not know who was right until after they have decided whether or not to accept Greene King's offer.

Abbey National to act on 40m unclaimed free shares

By David Barchard

THE FATE of 40m Abbey National shares, lying unclaimed since the bank's stock market flotation in July 1989, will be announced today.

The unclaimed shares are currently worth about £125m. They represent about 3 per cent of shares issued by the group to its former members when it shed building society status and became a bank, each member receiving 100 shares worth 131p each.

Abbey National said yesterday that as three years had passed since the flotation, it was now able to take action.

It did not indicate what the action would be but it could dispose of some of the remainder by placing them with a charity or selling them in the market. It is unlikely to favour placing a large number of its shares on the market at one time.

Former members of the building society who have not already done so will be entitled to claim their shares for a further three year period.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bespak ....fin	5.5	Oct 8	5	9†	8
Bogood ....fin	0.25	Oct 1	0.22	0.35	0.32
Dixons ....fin	4.4	Oct 2	4.2	6	5.8
Eastern Electric........fin	11.85	Oct 5	10.12	16.7	14.45
Everards Brewery....int	6.5	-	6.2	-	12.4
French Conn'tion......fin	nil	-	1.8	nil	2.7
Gardiner ....int	0.47†	Oct 12	0.47	-	1.3
Gibbon Lyons § ......fin	3†	Oct 1	4	5†	6
Harrison Inds ....fin	nil	-	1.25	1.25‡	3.25
Hollas ....fin	0.6†	Oct 1	0.6	1.2	1.2
M&G Dual ....int	30.55	Aug 25	30.55	-	69.1
Newman Tonks ....int	3.8†	Aug 20	3.8	-	9.3
Quiligotti § ....fin	nil	-	0.77	nil	1.53
Tops Estates ....fin	1.45	Oct 29	1.3	2	1.8

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡For 15 months.

Hickson pays £22m for Irish chemicals group

By Richard Gourlay

HICKSON International, the specialist chemicals group, yesterday announced the acquisition of Angus Fine Chemicals, based in the Irish Republic, for I£24.1m (£22.4m).

The acquisition will be financed by the issue of 12.75m new shares, placed by Smith New Court yesterday at 175p each. Holders will be free to claw back shares at the same price on a 1-for-12.57 basis.

The acquisition will give Hickson an entry into the supply of fine chemicals to pharmaceuticals companies, an area of the fine chemicals market where it lacks a substantial presence.

Mr Michael Rowley, finance director, said the market for these fine chemicals was growing by 5 per cent a year, but was confident it could expand between 6 and 8 per cent.

The group had considered organic investment at its Castleford plant but had chosen the acquisition route for a number of reasons, including the chance to buy a plant that was already approved by the US Federal Drug Administration.

COMPANY NEWS: UK

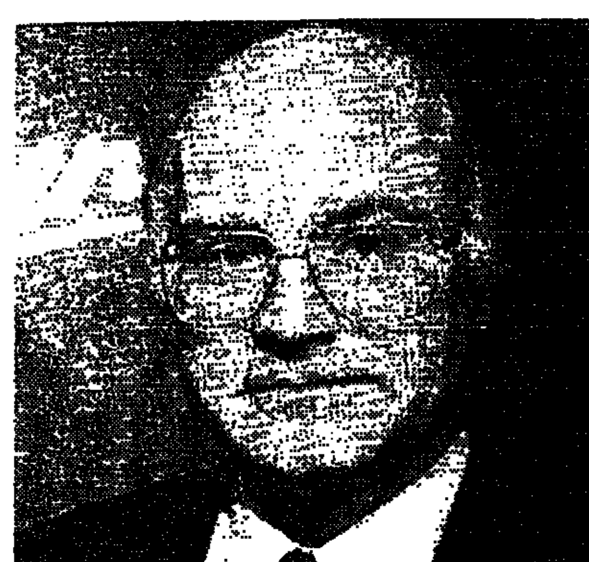
Budgens at £4.6m as recovery continues

By Andrew Bolger

BUDGENS, the small food retailing chain where institutional shareholders last year installed new management, yesterday claimed to have "won round one in a fiercely competitive environment".

The group reported pre-tax profits of £4.6m in the year to April 26, compared with a loss of £14.7m in the previous year. Sales, excluding VAT, were 6.8 per cent higher at £290.7m (£272.3m).

Mr John von Spreckelsen, chief executive, said: "We have made significant improvements on all fronts and in the face of strong competition. Current sales development is satisfactory. The company has demonstrated its resilience and the management continues with its medium-term plan to restore acceptable levels of profitability."



John von Spreckelsen: improvements on all fronts

Sales grew less rapidly in the second half, reflecting increased competition and a reduction in Sunday opening. Having been one of the pioneers of seven-day opening, Budgens this year reduced the number of its 95 stores which opened on Sundays after leading food chains followed suit.

Mr von Spreckelsen said distribution costs fell by £900,000 to £16.1m, despite higher sales and levels of service to the stores. This had been mainly achieved by increasing the efficiency of its distribution depot.

Better buying disciplines had resulted in a modest improvement in gross trading margins. The group hoped to secure further benefits from joining a retail buying consortium under the auspices of the National Independent Supermarket Association.

Since the year-end, Budgens has opened two new stores and will refurbish 70 of its existing outlets during the current year, all financed out of cash-flow. The group is on track to introduce a full electronic-point-of-sale system by 1994.

Trading profits more than doubled to £6.51m (£2.96m). Interest payments fell from £4.85m to £2.54m, reflecting a fall in gearing to 22 per cent from 40 per cent at the time of last July's refinancing.

Earnings per share, after a reduced tax charge, were 3.5p, compared with a losses of 13.3p. On a fully-taxed basis, the earnings would have been 2.2p. Budgens said it would not be appropriate to pay a dividend until it could report further improvements in profitability.

● COMMENT

So far, so good, but is there a long-term future for Budgens? That reaction, and doubt, encapsulated the City's response to these figures. Mr von Spreckelsen admits he felt the group was "a sitting duck" 12 to 18 months ago, because of its high prices and limited range. He is now confident the stores are back on a recovery track, with store managers being encouraged to respond quickly and flexibly to local competition. There is no doubt more scope for improvement this year, but big stores such as Sainsbury and Tesco are increasingly looking away from superstores and back to the high street. The house broker is predicting annual profits of £8.5m and a 20 per cent tax rate, which would put the shares, unchanged yesterday at 41p, on a heavily discounted prospective multiple of 10. Other analysts take a more cautious view. Investors looking for a recovery play should be able to find companies facing less ferocious competition.

DTI and Alan Lewis settle Yorkshire wool dispute

By Angus Foster

A DISPUTE which has rumbled around the Yorkshire Dales almost as relentlessly as Emmerdale Farm looks finally to have been settled following agreement between Mr Alan Lewis, the wool scouring supremo, and Mr Michael Heseltine, the trade and industry secretary.

The DTI has toned down earlier demands that three wool scouring lines, which clean and de-grease wool, should be sold following Mr Lewis' 1990 purchase of Jarmain & Son in Huddersfield.

The Monopolies and Mergers Commission ruled last year that the takeover was anti-competitive since it gave companies controlled by Mr Lewis more than 50 per cent of the scouring market.

Mr Heseltine has now relented and agreed one of the lines should be mothballed for a year while the other two should be sold or closed down in 18 months.

The DTI said the measures would reduce Mr Lewis' capacity and allow other scourers into the market.

Mr Lewis seemed reflective. "A sensible compromise has been reached, although you're never totally happy with these things" he said.

But there will be "a number" of redundancies from the mothballed line, which is in Huddersfield, he said.

Finding a buyer for the other two could also prove difficult, since they are not in operation and one is in poor condition.

Gardiner falls to £1m as recession bites

By Richard Gourlay

GARDINER GROUP, the distributor of security and surveillance products, yesterday reported a sharp drop in first half profits as recession continued to hit volume and margins.

Mr Yashar Turgut, chief executive, said that the recession meant this year would be "a bit of a non-event" for Gardiner, but that the strategy of developing its dominant European position in security systems distribution had not altered.

Pre-tax profits for the six months to April 30 fell from £3.45m to £1.04m on sales up 28 per cent at £36.6m.

The result was after an exceptional charge of £479,000 to cover the cost of reorganisation, redundancy and compensation for the early departure of the finance director.

He resigned after it emerged last year, shortly after the company had made bullish trading statements to the City, that the accounts had been based on some over-optimistic assumptions about margins.

The poor results follow a traumatic period for the shares after the group reported pre-tax profits of only £6.03m last year, significantly below City expectations. The shares have fallen from a peak of 69p last September to yesterday's close of 19½p.

Part of the increase in sales came from the acquisition of Multi-Video Distributors and AW Alarm System, bought last year as part of the strategy to reduce dependence on the UK intruder market and enter the closed circuit television business.

Excluding these acquisitions, sales still grew 13.6 per cent, but at the expense of lower margins.

Earnings per share fell from 2.56p to 0.72p, but the interim dividend is maintained at 0.47p.

The UK intruder alarm market showed no volume growth, but Gardiner maintained market share, albeit at reduced margins.

In Spain, the group suffered from what Mr Thomas Buffett, chairman, called the discounting policies of certain overseas manufacturers.

In Benelux, however, sales and profits rose while in Scandinavia the group benefited from the acquisition of AW Alarm System.

Harrison Industries cuts deficit to £908,000

HARRISON Industries, the supplier of doors, control equipment and castings which was acquired by Antares in a reverse takeover last December, yesterday reported a pre-tax loss of £908,000 for the 15-month period to end-March 1992.

Mr Kenneth Hodgson, chairman, said a complete review of the group had been undertaken and all previous Antares activities had either been sold or discontinued.

The results for the period reflected the completion of the reorganisation, said Mr Hodgson, and represented a marked improvement on the pre-tax loss of £1.49m for 1990.

Turnover was £17.7m against £7.58m for the previous year.

There is no final dividend so the total for the 15-month period is 1.25p (3.25p).

NEWS DIGEST

Bespak at £7m after acquisition

BESPAK, a maker of valves and other engineering components, increased pre-tax profit by 57 per cent, from £4.42m to £6.92m, in the year to May 1.

The contribution from the original group was in line with forecast at £6.2m, while the newly-acquired Tenax Corporation of the US put in £700,000 since March 10.

Mr Bob King, chairman, said Tenax had significantly increased Bespak's presence in the US, where sales were projected to be half of the group's total. As a consequence, the whole US business was being reorganised.

Group turnover rose 31 per cent to £38.8m (£29.6m), with Tenax supplying £3.1m.

Earnings per share came to 24.8p, against 20.4p after adjustment for two rights issues which raised £38m net and help turn interest charged of £823,000 into a credit of £134,000.

The final dividend is 5.5p to make 9p (8p).

Revised scheme for Sutcliffe Speakman

Sutcliffe Speakman intends to revise its proposed capital reconstruction scheme to incorporate a larger reduction of share premium account and the cancellation of deferred shares.

That will enable the deficit on profit and loss at March 31 to be extinguished and clear the arrears of dividend on the preference shares as soon as possible. The plan will require shareholder and Court approval.

Meanwhile, the half yearly dividend due on June 30 was passed.

Tops Estates advances to £2.6m

Tops Estates, the property investment group, lifted pre-tax profits from £2.42m to £2.61m in the year to March 31.

The result was achieved on a rental income of £10.7m (£9.89m).

Earnings emerged at 4.8p (5.24p) per share and the dividend for the year is 2p via a proposed final of 1.45p (1.3p).

Elswick expects to pay interim dividend

Elswick, the print and packaging concern, said that following the disposal of its lossmaking cycles division, it had been successful in its court application for consent to utilise the share premium account in order to eliminate the deficit on its profit and loss account.

Mr Harold Cross, chairman, therefore reaffirmed his statement with the last annual report that an interim dividend for the current year would be paid in January 1993.

The last final dividend was omitted leaving a total of 0.22p (0.6p) for the 12 months to January 31 1992. Pre-tax profits for that year were static at £2.25m (£2.22m).

Hollas falls into losses in second half

With poor trading conditions continuing, Hollas Group, the specialist textiles group, fell into losses in the second half of the year to March 31.

Annual pre-tax profits were £223,000, against £74,000, struck after exceptional charges of £559,000. Interim profits were £235,000. Full-year turnover fell to £37m (£39.3m) reflecting the effects of the recession on retail and mail order sales.

The garment distribution and yarn divisions were profitable but Hawkshead, the mail order and retail side, suffered significant losses. A partner is being sought to secure Hawkshead's future.

Earnings per share came out at 0.2p (0.4p losses). A maintained final dividend of 0.6p is proposed for an unchanged total of 1.2p.

Quiligotti loss exceeds £1.8m

Quiligotti, the USM-quoted maker and installer of terrazzo floors, incurred a pre-tax loss of £1.83m in the year ended March 31, in line with June's forecast.

The outcome compared with a profit of £905,000, and included £280,000 for rationalisation and reorganisation measures taken in the UK businesses. Losses per share were 6.17p (earnings 1.31p) and there is no dividend (1.53p).

The profit forecast was made with the announcement of a rights issue to raise £3.2m which would reduce debt, and the sale of the lossmaking US subsidiary for £333,000.

Turnover fell to £19.7m (£23.4m).

Equity Consort net assets well ahead

Equity Consort Investment Trust reported a net asset value of 618.3p per £1 ordinary share and £10.37 per 50p deferred share as at April 30.

The values compared with 584.4p and 968.9p respectively 12 months earlier.

Earnings per ordinary share for the year to end-April worked through at 26.38p (25.76p) and a recommended final dividend of 13.125p brings the total to 24.1875p (23.25p).

Deferred shareholders receive a proposed final of 26.25p making 39.375p (37.5p), payable from earnings of 43.76p (42.51p).

Loss rises to £0.29m at depressed Torex

Torex Hire saw turnover fall from £2.09m to £1.92m and losses increase from £228,000 to £290,000 in the half year to April 30.

Mr Benjamin Longrigg, chairman, said turnover in the core business of tool and equipment hire, which was dependent on the construction industry, had fallen 30 per cent since 1990.

Turnover in catering hire and other activities had risen 22 per cent, but the activities were not large enough to compensate for the fall in the main business.

Losses per share amounted to 2.06p (1.57p).

Gibbon Lyons falls 22% to £806,000

A 22 per cent drop in pre-tax profits, from £1.03m to £806,166, was announced by Gibbon Lyons Group, the USM-quoted printing ink, dyestuffs and paints company, for the year to March 31.

Mr Michael Gibbon, chairman, said the group had managed to sustain sales at £22.8m (£23.1m) "in spite of fierce competition and price cutting".

A wages freeze and further staff reductions had been made, but profits had been affected by a need for further provisions for bad and doubtful debts, he said, including more than £100,000 in France.

Earnings per share fell from 10.5p to 4.8p and the proposed final dividend is cut to 3p for a 5p (6p) total on increased capital.

An encouraging start to the current year had been made, Mr Gibbon said, partly due to the introduction of new projects and efforts to eliminate lossmaking areas.

Everards flat but sees improvement

Everards, the family-owned independent brewer of Tiger and Old Original beers, blamed difficult trading conditions as interim profits declined by 52 per cent to £144,000.

The outcome for the six months to March 28 compared with £298,000 at the same stage of the previous year.

Turnover improved to £16.6m (£15m) and directors of this Leicester-based concern stated that sales had improved further since the period-end. They anticipate profits for the current year to show an improvement on the £387,000 recorded in the 12 months to September 28 1991.

Earnings per share emerged at 6.1p (9.5p). The interim dividend goes up to 6.5p (6.2p).

Bogod moves ahead to £259,000

Bogod Group, the seller of sewing machines and parts, lifted pre-tax profits from £242,000 to £259,000 in the year ended March 31 1992. Sales fell from £6m to £5.79m.

Earnings per share slipped to 2.99p (3.03p) and the final dividend is 0.25p for a total of 0.35p (0.32p).

LEGAL NOTICES

PUBLIC WORKS LOAN BOARD RATES
Effective July 8.

Quota loans*

Years	EIP†	[illegible]	[illegible]
1			9⅞
Over 1 up to 2	9¾	9¾	9⅞
Over 2 up to 3	9¾	9¾	9⅝
Over 3 up to 4	9⅝	9⅝	9½
Over 4 up to 5	9⅝	9½	9½
Over 5 up to 6	9½	9½	9⅝
Over 6 up to 7	9½	9½	9¾
Over 7 up to 8	9½	9½	9¾
Over 8 up to 9	9½	9⅝	9⅞
Over 9 up to 10	9⅝	9⅝	10
Over 10 up to 15	9¾	10	10
Over 15 up to 25	10	10	10
Over 25	10	10	9⅞

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

'Green' currencies head for knacker's yard

By David Gardner in Brussels

THE MOST labyrinthine corpus of European Community law – the "green" currency system – is on its way to the knacker's yard.

The European Commission yesterday approved the abolition of monetary compensatory amounts (MCAs), the system of export subsidies and taxes used to iron out irregularities arising from the divergence of foreign exchange rates from the fixed "green" rates used to translate the EC's guaranteed farm prices, which are denominated in European currency units, into national currencies.

This system requires border checks on produce moving across EC borders and so cannot continue when the barrier-free single market comes into operation next year. Commission officials believe the 12 will approve the plan virtually unmodified.

There will still be "green" currencies, until a single EC currency arrives, in principle by 1999 at the latest. But green rates will now be set at the central rate for the seven currencies operating within the narrow band of the exchange rate mechanism of the European Monetary System, and at close to average market rate for the rest. The latter "floating" currencies are those of the UK, Spain, Portugal and Greece. The first three are in the wider band of the exchange rate mechanism while the Greek drachma is outside it.

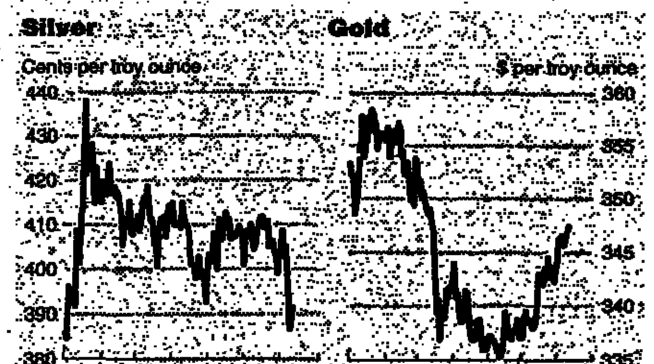
The stability of the EMS, which has seen no major realignment for five years, thereby theoretically guarantees a stable green rate, eliminating MCAs.

The proposal still provides for realignments and would reintroduce monetary compensation whenever exchange rate gaps widened beyond five percentage points. This, however, is wider than the present provision for a 4 point gap, under which the MCA mechanism, once a crucial instrument for EC agri-traders, had almost withered away. The MCA system for the UK has been dismantled and the system now operates mostly for the benefit of Greece.

But the agrimonetarist profession built up over 25 years of a system of ever-increasing complexity will not be put out of business entirely until the advent of monetary union. Traders will still have to master the rules governing even much tighter fluctuations, though their task, especially in the virtually fixed currency countries, will be much simpler.

Silver steadier after Tuesday's plunge

By Kenneth Gooding, Mining Correspondent



SILVER PRICES recovered slightly yesterday after the sharp drop on Tuesday caused by extraordinarily heavy selling by the National Commercial Bank of Jeddah, Saudi Arabia's sole private bank.

An NCB official told Reuter that the quantity – sold in only two hours – was less than 20m ounces. The silver sales were "a purely commercial transaction" on behalf of big Saudi clients, said the official.

However, traders were sceptical about this claim. Some suggested it would have required between 40m and 50m troy ounces, or more than 1,244 tonnes, worth $160m, to have driven the price down so steeply. This represents about 12 per cent of annual world demand for silver, used mainly by the photographic and electronic industries.

Traders continued to link the sell-off with Tuesday's resignation of Sheikh Khalid bin Mahfouz, deputy general manager of the NCB, who is fighting charges by a New York grand jury that he defrauded depositors of the collapsed Bank of Credit and Commerce International.

After its plunge by 20 cents an ounce on Tuesday, silver closed in London last night up 4 cents at $3.91 an ounce. Traders suggested that the market had been unable to absorb all the Saudi silver and more metal was likely to be sold if the price rallied above $3.95.

In 1990 the NCB hit the gold market with heavy sales and there was some relief yesterday that the Bank had concentrated only on silver on Tuesday. Some New York speculators sold gold short (sold metal they did not own, hoping to buy it later at a lower price) on Tuesday, gambling that the NCB would also drive down the gold price.

They later had to scramble to cover their positions and this helped gold to rise yesterday. It closed in London at $347.70 a troy ounce, up $2.05.

Copper prices surge to 18-month peaks

By Kenneth Gooding in London and Christopher Bobinski in Warsaw

COPPER'S PRICE surged again to fresh 18-month peaks on the London Metal Exchange yesterday after Poland's copper mining unions called an all-out strike for July 20.

But some producers cautioned that world economic conditions did not justify the market's apparent optimism.

Sir Derek Birkin, chairman of the RTZ Corporation, the world's biggest mining group, told brokers in Tokyo he was surprised by some copper price forecasts because there was no evidence the recession was ending.

He was asked whether the copper price would reach $1.50 a lb and said this was unlikely.

However, Sir Derek suggested that copper prices would be more resilient than those of other metals because copper demand and supply were finely balanced.

Mr Paul Hansen, president of the Highland Valley Copper company in Canada, told the Reuter news agency there was not enough underlying demand for the metal to enable copper to maintain its recent upward momentum. "North America and Japan are still mired in recession and we really don't see the fundamentals in place at this point," he added.

Copper "could easily fall back and maybe go below $1 a lb."

The metal's price in London has risen by nearly 9 per cent in a little over a week from $1.04 to $1.13 a lb even though Asarco, one of the big US copper producers, signed new labour contracts without any problems and although the Polish news and had been widely expected. Traders pointed out that there was still time for the Polish government to avert the strike by reaching an agreement with the miners.

Pay talks are to start today at Poland's giant KGHM copper producing combine between management and miners' unions. The unions are demanding a 30 per cent wage increase and are backed strongly by the workforce of nearly 40,000, which recently voted overwhelmingly for strike action in a shop floor ballot.

Such a pay increase would require an easing by the government of prohibitive taxes controlling state sector wages. So far all that the authorities have conceded is not to tax wages earned at the weekend on condition that ore mining and refined copper output increases.

Miners' hopes of having their demands accepted rose recently after talks with representatives of Mr Waldemar Pawlak, the PSL farmers' party leader, who yesterday dropped an abortive month-long effort to form a new government. A short wildcat stoppage on Monday at the Rudna and the Sieroszowice copper ore pits saw miners calling for Mr Pawlak as prime minister.

In any event the conflict promises to be the first challenge facing the new government, which will be led by Ms Hanna Suchocka and is likely to be installed at the weekend.

The unions are also demanding that the government explain its privatisation plans for KGHM. Asarco, the US metals producer recently offered to manage the combine under a three-year contract while Australia's Western Mining Corporation is talking with it about a joint venture.

KGHM produced 165,000 tonnes of copper in the first five months of this year, an increase of 2.5 per cent on the same period last year.

Peru oil refinery sale attracts lone bidder

By Sally Bowen in Lima

EXPECTATIONS clashed head on with harsh reality on Tuesday when Petroperu, Peru's state oil concern, made its first attempt to sell off a major asset. The oil refinery of Conchan, a few miles south of the capital, failed to reach its $8m reserve price at auction in Lima and will now be re-offered within a month.

Potential buyers were put off by what they considered an excessively high base price. "In the current political climate in Peru, any investment is risky and the price reflects that," commented one.

The sale was reported to have aroused considerable initial interest – a couple of dozen potential buyers included Chilean and Argentine interests and the Marc Rich minerals marketing empire. Long-controlled fuel prices were freed a week before the auction date, supposedly making it more attractive.

Conchan produces less than 5 per cent of all oil refined in Peru – about 8,000 barrels a day, compared with the 100,000 b/d capacity of major refineries at Talara and La Pampilla – but is excellently sited a few miles south of the capital.

On the day, however, only one bid emerged, from Chile's Asfaltos Chilenos, a small company interested in Conchan's virtual monopoly over provision of asphalt in the central coastal area. High demand for asphalt is guaranteed in a big repair programme for Peru's road system.

The Asfaltos Chilenos bid was for under $7m, around 15 per cent below the base price and close to what is expected to be the re-offer price. The fact that the only bidder was from Peru's age-old rival provoked a mild outburst of nationalism in the Petroperu auditorium – a union leader, with some support, stood to intone Peru's national anthem. Outside a band of diehards chanted and waved banners accusing the state of giving away the national patrimony.

But mines and energy minister Mr Jaime Yoshiyama, who also heads the government's privatisation commission Copri, said the failure to sell Conchan was incontrovertible proof that no special interests were being favoured. He estimated that any buyer for Conchan would have to invest an immediate $7m or $8m in modernisation and re-equipment.

"We'll go on auctioning it until we sell it," he promised. "But I'm absolutely confident we'll get a buyer next time."

Argentina tries to rouse dormant mining sector

John Barham reports on efforts to attract foreign investors to a long-neglected industry

ARGENTINA'S MINING industry is like a sleeping beauty that is gradually waking from a deep slumber that lasted most of this century. A fortifying dose of pro-business government policies is reviving the dormant industry, while the promise of barely explored territory is making Argentina the apple of many an international mining company's eye.

Mr David Ancieta, executive director of Minera Aguilar, Argentina's largest mining company, says: "Argentina is a country of opportunity. There has hardly been any exploration. It is virgin territory for mining".

Mr Jorge Cuomo, a mining consultant, says Argentina's mining industry accounts for just 0.3 per cent of GDP. And 96 per cent of the industry's output is in industrial minerals like talc and borax, rather than metallic minerals like gold, silver or copper.

Argentina has never bothered to exploit the Andes' mining potential, even though neighbouring Chile has developed some of the world's largest mining projects in its Andean territory.

The distance of the Andes from Buenos Aires, around which most of the population is concentrated, Argentina's agrarian rather than industrial or mining tradition, plus six decades of political chaos and bureaucratic restrictions explain the Lilliputian mining sector.

Furthermore, government policies actually discouraged mining. For instance, the Andean border region was declared a security zone, effectively closed to foreign investment.

All that began changing with Argentina's adoption in 1989 of orthodox free market policies. It has lifted import barriers, made the currency freely convertible, swept away xenophobic investment controls and introduced successive deregulation packages. The result of this whirlwind is low inflation and one of Latin America's most business-friendly environments.

But since mining has never been a national priority, it was only recently that President Carlos Menem turned his attention to it, announcing in May new plans to attract private investment and technology to revitalise the industry.

Mr Luis Prol, hydrocarbons and mining secretary, says: "If we are to become a more important mining country, much depends on our geology, our legal and regulatory framework. We are introducing interesting changes - improving regulations, making them more transparent and open to investors".

The government is working on a new mining investment law intended to buttress the 1886 mining code by further guaranteeing foreign investors' rights, such as freedom to remit dividends.

It is also trying to convince provincial governments, which are largely responsible for regulating and taxing the industry, to adopt a uniform mining policy and tax regime. At present, provincial mining royalties vary from 2.5 per cent to 12 per cent while both national and provincial governments apply a confusing variety of taxes.

Mr Miguel Angel Guerrero, national mining director, is also trying to bring together a wealth of dispersed geological information – some of it once considered a military secret – and begin a national geological survey. At present Argentina lacks adequate production statistics, let alone detailed survey data.

Foreign investment is essential, given Argentina's tiny mining industry. But while foreign companies obviously applaud the new policies, they are still wary. After all, few countries can rival Argentina's long history of military coups, massive inflation, bewildering policy shifts and widespread corruption.

Mr Ancieta, whose company is based in Bolivia and is part-owned by Britain's RTZ, says: "Mining requires considerable risk capital, so Argentina needs to offer security. If I invest now, will the rules be the same in ten or 15 years?"

The government's planned mining investment law is intended to provide such guarantees. But laws have traditionally meant little in Argentina. About a dozen foreign companies are known to be looking at possible projects, but are expected to wait for Argentina to consolidate economic and political stability before making significant investments.

Aguilar, which produces lead, silver and zinc at a mine in northern Argentina, is dusting off a copper project in the Andes it had mothballed for 20 years because either international prices were too low or Argentina was too unstable.

Overcoming investors' fears is only part of the trick. Investors will have to work hard to find attractive investment targets. For example, Cerro Castillo, Argentina's largest locally-owned mining company, is looking for foreign partners. But Buenos Aires equity analyst Mr Christopher Ecclestone says it lacks adequate "finance skills and management approach". He says Cerro Castillo, which operates a gold, silver, zinc and copper mine in southern Argentina, lost $15.3m on sales of $8.7m in the year to November 1991.

Foreigners can buy into new, untried prospects. The government lists 138 projects of potential interest to investors. But only seven are operating and only two of them have attracted much interest.

Alternatively, investors can do their own exploration. This seems to be the favoured approach. Among companies sniffing around Argentina are RTZ's Australian-based affiliate CRA, Noranda, Cyprus Metals and FMC of the US, and Canada's Pacific Rim.

Mr Prol says Chilean subsidiaries of multinational companies are expected to be among the first to invest in Argentina, given their proximity and knowledge of the Andes. The government's abolition of the border security zone and other restrictions was specifically intended to encourage Chilean companies to cross into Argentina.

Argentina must also modernise its uncompetitive economy and reduce costs. Wages and equipment costs are rising, despite a fixed exchange rate, threatening competitiveness. The provinces have done what they can to lessen the tax burden. Fortunately, strong local demand has increased company profitability, offsetting deteriorating export competitiveness. Aguilar, for example, has annual sales of $50m, but last year lost about $9m. This year it hopes to turn in a profit of $1m or more.

Yet the inefficient and undercapitalised industry's does offer investors huge scope for profit-making by applying elementary management and technological improvements. For instance, the quarrying industry ships huge marble and granite blocks to Italy where they are processed and re-exported, rather than being processed in Argentina.

Ultimately, as Mr Guerrero recognises, Argentina must invest heavily to "add more value to the final product. Without vertical integration with industry raw materials are not worth much".

WORLD COMMODITIES PRICES

MARKET REPORT

London's **COCOA** market forged ahead to close at two-month highs as dealers cited positive technicals and the continued absence of origin sales. Concern about dry weather in the Ivory Coast also prompted some covering of short positions. Bullishness spread after the near September contract broke through resistance at £603 a tonne, a level that had twice before capped upward moves. "We're comfortably into money-making levels for origins, but they're still holding back," one dealer said. Most dealers expected prices to continue their upward path before any concerted origin selling. On the LME **ZINC** closed off its highs, although the market continued to attract support on price dips, following three-month metal's break above $1,300 a tonne late on Tuesday. **ALUMINIUM** continued to be restrained by bearish fundamentals in fully matching the bull trend of other metals. In Chicago **MAIZE** futures were lower at midday based on beliefs that heavy rains were about to hit Illinois yesterday afternoon. Showers and thunder storms had been forecast yesterday and later in the week, which should provide adequate moisture during the peak growing period.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.20-8.30z	
Brent Blend (dated)	$19.75-9.85	-.075
Brent Blend (Aug)	$19.95-2.00	-.075
W.T.I (1 pm est)	$21.30-1.35z	-.125

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$220-222	-4
Gas Oil	$183-184	
Heavy Fuel Oil	$82-84	
Naphtha	$193-195	-0.5

Petroleum Argus Estimates.

Other		+ or -
Gold (per troy oz)♣	$347.70	+2.05
Silver (per troy oz)♣	391.0c	+4.0
Platinum (per troy oz)	$385.0	+2.25
Palladium (per troy oz)	$84.0	+1.75
Copper (US Producer)	117.22c	+1.46
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	17.53r	-0.11
Tin (New York)	331.50c	+2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	108.11p	+0.79*
Sheep (live weight)†♣	78.24p	+4.60*
Pigs (live weight)†	88.44p	+3.15*
London daily sugar (raw)	$252.0w	+3.0
London daily sugar (white)	$294.0w	+0.5
Tate and Lyle export price	£238.5	+1.0
Barley (English feed)	£111.0	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq	
Rubber (Aug)♥	50.00p	
Rubber (Sep)♥	50.00p	
Rubber (KL RSS No 1 Jul)	220.0r	
Coconut oil (Philippines)§	$560.0t	-7.5
Palm Oil (Malaysian)§	$387.5z	
Copra (Philippines)§	$372.5	
Soyabeans (US)	£134.0	-1.5
Cotton "A" Index	55.10c	
Wooltops (64s Super)	377p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Aug/Sep y-July w-Jul/Aug z-Aug. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. †† previous figure should have been 250.5

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	227.00	227.00	226.20
Oct	214.20	213.60	213.40 213.20
Dec	198.00	198.00	195.20 195.00
Mar	204.80	204.40	204.40
White	**Close**	**Previous**	**High/Low**
Aug	293.00	292.00	293.00 291.00
Oct	266.50	265.00	266.00 264.50
Dec	267.00	265.50	265.50 265.50
Mar	270.00	268.00	269.30 268.20
May	273.60	271.70	273.80 272.90
Aug	278.60	276.00	278.00
Oct	289.00	266.10	289.20 289.10

Turnover: Raw 100 (52) lots of 50 tonnes. White 1514 (1992)Paris- White (FFr per tonne): Aug 1474.93 Oct 1358.48

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Aug	20.00	20.04	20.16 19.80
Sep	20.07	20.07	20.20 19.90
Oct	20.12	20.09	20.18 19.93
Nov	20.10	20.12	20.17 19.97
Dec	20.06	20.06	20.11 19.95
Feb	19.65		19.85
IPE Index	20.15	20.67	

Turnover 34519 (52642)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jul	182.50	182.75	184.00 182.00
Aug	184.25	184.50	185.50 184.00
Sep	186.25	186.00	187.00 185.50
Oct	189.00	189.00	189.50 188.00
Nov	191.00	190.25	191.50 189.50
Dec	192.00	191.75	192.75 191.50
Jan	191.00	190.00	191.50 190.50

Turnover 22035 (25384) lots of 100 tonnes

WOOL

ALTHOUGH there is no auction guidance from the main primary markets in Australia, New Zealand and South Africa prices are still subject to the vagaries of volatile currency markets. Weakness in the US dollar has recently been slightly outpaced by weakness in the Australian dollar, and related prices in Europe have been plumbing their recent lows. Inevitably this downward drift does not help those who are trying to persuade buyers to move in. The uncertainty and lack of confidence keeps business quiet, which in turn tends to soften selling prices further.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	591	570	593 583
Sep	610	584	613 587
Dec	635	613	642 616
Mar	664	641	665 650
May	680	657	684 667
Jul	695	676	698 686
Sep	713	693	715 705
Dec	740		736 734
Mar	767	745	755
May	790		775

Turnover: 8068 (3030) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 7 749.03 (760.02) 10 day average for Jul 8 720.86 (712.81)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jul	724	705	724 705
Sep	737	717	738 717
Nov	754	734	755 735
Jan	774	753	781 754
Mar	789	772	777 777
May	808	791	794 794

Turnover:2738 (1762) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 7: Comp. daily 48.05 (47.25) 15 day average 47.49 (47.57)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	82.7	84.8	85.2 82.5

Turnover 130 (33) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Aug	116.80	117.50	116.80
Oct	118.30	119.00	118.30

Turnover 150 (500)lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jul	1057	1025	1060 1025
Aug	1080	1046	1080 1050
Sep	1115		1115 1110
Oct	1210	1180	1210 1195
Jan	1234	1230	1235 1230
BFI	1053	1047	

Turnover 271 (75)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Sep	112.00		112.00
Nov	115.25	115.00	115.30 115.05
Jan	118.70		118.70
Mar	121.50		121.50 121.40
May	124.50	124.20	124.50
Barley	**Close**	**Previous**	**High/Low**
Sep	110.75	110.20	110.85 110.50
Nov	114.30	113.75	114.30 113.90
Jan	117.60	116.80	117.60 117.25
Mar	119.45	118.95	119.45
May	121.45	120.60	121.45

Turnover: Wheat 178 (162) . Barley 275 (199).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	114.0	113.5	113.5 113.0
Aug	104.8	103.0	104.8 103.0
Sep	105.0		105.0 104.5
Nov	105.0		104.8
Jan	100.0		100.0

Turnover: 48 (11) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 31,163 lots
Cash	1316-7	1311-2	1314.5	1314.5-5		
3 months	1341-2	1336-7	1347/1335.5	1339.5-40	1337-8	167,140 lots
Copper, Grade A (£ per tonne)						Total daily turnover 34,020 lots
Cash	1311-2	1306.5-7.5	1304/1303	1303-4		
3 months	1319-20	1313.5-4	1326/1306	1311-1.5		28,930 lots
Lead (£ per tonne)						Total daily turnover 7,927 lots
Cash	315-6	314-5		314-5		
3 months	327-8	325-6	330/327	327.5-8	327-8	24,287 lots
Nickel ($ per tonne)						Total daily turnover 5,877 lots
Cash	7810-20	7545-55	7612	7615-20		
3 months	7675-80	7605-10	7750/7630	7680-2	7665-75	24,602 lots
Tin ($ per tonne)						Total daily turnover 1,392 lots
Cash	7155-65	7090-100	7140	7135-40		
3 months	7175-80	7110-5	7180/7120	7150-5	7165-70	11,037 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 19,439 lots
Cash	1299-301	1293-5	1307	1306-7		
3 months	1305-6	1293-4	1320/1305	1312-3	1310-2	64,951 lots

LME Closing £/$ rate:
SPOT: 1.9194 3 months: 1.8884 6 months: 1.8566 9 months: 1.8320

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	347.50-347.90	
Opening	347.00-347.40	
Morning fix	347.70	179.458
Afternoon fix	347.50	180.146
Day's high	348.10-348.40	
Day's low	347.00-347.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.10	6 months	3.03
2 months	3.04	12 months	3.07
3 months	3.04		

Silver fix	p/troy oz	US cts equiv
Spot	202.40	390.60
3 months	207.65	393.95
6 months	212.55	397.30
12 months	222.45	404.95

GOLD COINS

	$ price	£ equivalent
Krugerrand	346.50-348.50	178.00-180.00
Maple leaf	357.50-359.80	-
New Sovereign	83.00-85.00	42.00-44.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1250	87	116	6	13
1350	24	52	42	47
1450	3	18	120	110
Copper (Grade A)	**Calls**		**Puts**	
2350	170	155	5	28
2450	89	92	24	63
2550	36	49	70	117
Coffee (July 7)	**Sep**	**Nov**	**Sep**	**Nov**
650	60	83	7	11
700	27	50	24	28
750	10	26	57	56
Cocoa (July 7)	**Sep**	**Dec**	**Sep**	**Dec**
575	32	59	11	17
600	18	44	22	27
625	10	31	39	39
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
2000	27		18	46
2050		32	50	70
2100	5	19	106	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	347.6	346.2	347.3	347.3
Aug	348.4	347.1	349.2	347.7
Sep	349.2	347.9	0	0
Oct	350.1	348.8	351.0	349.6
Dec	352.0	350.8	352.8	351.5
Feb	353.9	352.7	354.0	353.7
Apr	355.8	354.6	356.0	355.9
Jun	357.8	356.7	358.0	357.5
Aug	360.0	358.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	382.8	385.0	386.0	383.0
Oct	384.8	386.0	388.5	383.0
Jan	382.8	384.5	385.0	382.5
Apr	392.8	384.5	388.5	387.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	388.3	387.3	390.5	389.0
Aug	389.5	388.5	0	0
Sep	390.5	389.5	393.5	390.0
Dec	394.5	393.6	397.5	394.0
Jan	396.1	395.2	398.5	397.5
Mar	399.0	398.1	402.0	398.0
May	402.0	401.0	404.5	402.5
Jul	405.0	403.9	407.5	405.0
Sep	408.0	407.0	410.5	409.0
Dec	413.1	412.1	415.5	413.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	112.70	112.95	113.00	112.60
Aug	113.05	113.40	113.25	112.95
Sep	113.05	113.30	113.50	112.80
Oct	112.30	112.60	0	0
Nov	112.00	112.30	0	0
Dec	111.85	112.00	112.30	111.65
Jan	110.95	111.30	0	0
Feb	110.45	110.80	0	0
Mar	109.75	110.10	109.95	109.70
Apr	109.15	109.50	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	65.90	65.69	66.08	65.35
Oct	63.63	62.46	63.70	62.35
Dec	62.26	60.84	62.40	60.85
Mar	63.23	61.95	63.15	61.90
May	63.85	62.65	63.80	62.85
Jul	64.00	63.07	64.00	64.00
Oct	64.68	63.52	63.50	63.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Aug	21.41	21.40	21.50	21.15
Sep	21.38	21.34	21.44	21.14
Oct	21.35	21.31	21.41	21.14
Nov	21.33	21.28	21.37	21.15
Dec	21.31	21.24	21.34	21.12
Jan	21.23	21.15	21.25	21.07
Feb	21.14	21.05	21.16	21.04
Mar	21.04	20.94	21.00	20.95
Apr	20.94	20.83	20.90	20.82
May	20.85	20.74	0	0

HEATING OIL 42,000 US galls. cents/US galls

	Close	Previous	High/Low	
Aug	5806	5873	5950	5845
Sep	6015	5973	6045	5950
Oct	6120	6082	6160	6055
Nov	6220	6187	6260	6170
Dec	6310	6271	6350	6260
Jan	6345	6308	6390	6305
Feb	6260	6218	6300	6215
Mar	6030	5983	6075	5970
Apr	5815	5768	5840	5785
May	5660	5613	5635	5635

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	990	933	970	955
Sep	1036	981	1039	1001
Dec	1094	1039	1097	1057
Mar	1133	1078	1136	1103
May	1161	1110	1159	1148
Jul	1186	1138	1185	1161
Sep	1215	1168	1193	1190
Dec	1255	1212	1255	1250
Mar	1295	1246	0	0
May	1323	1274	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	59.40	58.75	59.10	58.20
Sep	61.15	60.70	61.25	59.90
Dec	63.90	63.30	64.00	62.60
Mar	66.40	66.00	66.40	65.30
May	70.40	70.05	70.40	69.45
Jul	72.40	72.00	72.00	71.60
Sep	74.45	73.75	0	0
Dec	77.65	77.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.52	9.47	9.56	9.45
Mar	9.33	9.36	9.39	9.30
May	9.27	9.31	9.31	9.25
Jul	9.22	9.27	9.29	9.24
Oct	9.10	9.18	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	127.00	128.00	128.20	126.80
Sep	124.30	124.70	126.75	123.80
Nov	117.20	117.20	117.65	116.50
Jan	115.00	115.25	115.70	114.25
Mar	114.85	115.15	115.50	114.75
May	114.85	115.15	0	0
Jul	114.35	114.65	0	0
Sep	114.35	114.65	0	0
Nov	114.35	114.65	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jul 8	Jul 7	mnth ago	yr ago
1545.8	1540.1	1601.2	1735.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 7	Jul 6	mnth ago	yr ago
Spot	118.09	118.39	119.39	125.82
Futures	118.76	118.72	120.03	122.81

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	574/6	575/2	578/4	572/4
Aug	578/6	578/6	580/4	576/4
Sep	581/2	581/6	584/0	579/0
Nov	587/4	587/6	590/4	585/0
Jan	595/4	595/4	598/4	594/0
Mar	604/4	604/0	606/4	602/4
May	611/2	610/6	612/4	608/4
Jul	615/2	614/2	616/0	612/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	19.85	19.79	19.92	19.70
Aug	19.96	19.89	20.06	19.84
Sep	20.12	20.04	20.21	19.99
Oct	20.26	20.19	20.33	20.15
Dec	20.58	20.48	20.65	20.43
Jan	20.71	20.59	20.75	20.58
Mar	20.97	20.84	21.07	20.80
May	21.20	21.07	21.20	21.10

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	175.5	175.1	175.8	174.6
Aug	176.1	176.1	176.6	175.6
Sep	176.9	176.9	177.6	176.6
Oct	193.2	192.9	193.7	192.5
Dec	193.3	193.2	193.8	192.5
Jan	193.6	194.0	194.0	193.3
Mar	194.6	195.2	195.4	194.5
May	196.5	196.5	196.5	195.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	243/4	243/6	244/2	241/2
Sep	242/0	245/0	244/2	241/0
Dec	243/4	247/0	246/0	242/4
Mar	251/2	254/2	253/2	250/2
May	256/0	258/2	257/2	255/0
Jul	259/6	261/6	260/2	258/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	340/4	337/4	341/4	336/2
Sep	342/4	339/4	344/0	337/6
Dec	352/2	350/2	353/0	348/0
Mar	354/2	353/4	355/0	351/0
May	345/4	345/4	348/0	345/0
Jul	328/4	328/4	330/0	327/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	72.125	72.375	72.400	71.975
Oct	72.225	72.475	72.500	71.975
Dec	70.525	70.725	70.775	70.450
Feb	69.925	70.025	70.100	69.875
Apr	71.475	71.525	71.575	71.375
Jun	68.650	68.950	69.000	68.650

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	46.200	47.075	47.050	46.050
Aug	43.000	43.900	44.100	42.950
Oct	38.850	38.975	39.150	38.375
Dec	39.500	39.975	40.275	39.400
Feb	40.900	41.450	41.650	40.900
Apr	40.350	40.950	40.950	40.350
Jun	45.875	46.350	46.350	45.875

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	30.100	30.850	30.800	29.975
Aug	27.125	28.125	28.175	27.025
Feb	36.675	36.675	37.350	36.175
Mar	36.500	36.625	36.900	36.150
May	37.700	37.300	37.950	36.700
Jul	36.900	37.300	38.100	36.800

Shares fall in renewed uncertainties

By Terry Byland, UK Stock Market Editor

WORRIES over the outlook for sterling and for other world stock markets returned to haunt London yesterday, and UK equities lost most of their *gains of the previous session as* fund managers backed away again. The absence of convincing progress on global economic problems at the G7 summit was a *discouraging factor.*

Turnover remained poor, and the trend for the day was set early in the session by the fall of 44 Dow points on Wall Street overnight. *Lingering hopes of* an early cut in UK base rates received a further blow from sterling's weakness in the ERM range. Confidence in a consumer-led recovery was dented yet again when the chairman of Dixon's, the high street retailer, said that UK consumers were still "not spending" on major household appliances.

At the day's low point, the FT-SE Index was down by *nearly 40 points.* Equities steadied toward the close, helped by a similar trend in New York where the Dow was a mere 3.78 off in UK hours, *and by a rally in the Footsie* future which regained the 2,500 mark lost earlier in the day.

Also helping market sentiment was the reiteration by Mr *John Major,* UK prime minister, of official forecasts that the UK economy will grow by 1 per cent this year; some stock market strategists have been less sanguine.

Account Dealing Dates		
First Dealings:		
Jun 29	Jul 13	Jul 27
Option Declarations:		
Jul 9	Jul 23	Aug 6
Last Dealings:		
Jul 10	Jul 24	Aug 7
Account Day:		
Jul 20	Aug 3	Aug 17

*New time dealings may take place from 8.30 am two business days earlier.

The final reading showed the FT-SE Index at 2,472.6, a net loss of 21.1. Traders drew comfort from the market's rally from the day's low of 2,454.6, which suggested that 2,450 is still a support line for the market.

First dealings in The Telegraph public issue, largely left with underwriters last week, fared little better then expected, ending the session at a discount of 42 to the issue price of 325p.

Seaq-reported volume, the catch-all figures which take in both retail and intra-market business, improved to 396.1m shares from the 381.8m of the previous session. However, dealers saw little advance in the level of retail, or customer driven business in equities, which remained unimpressive at £844m on Tuesday, according to Stock Exchange statistics.

The overnight setback on Wall Street touched a nerve in the London market where analysts believe that the New York stock market is still overvalued, and fear that this could prove a time bomb lurking beneath global stock markets.

Uncertainty over the progress of world economies was further tested by reports that the chairman of RTZ, the global metals and trading company, had told stockbrokers in Tokyo that he was surprised by the strength of copper prices in view of the absence of evidence that world recession is ending.

This morning is expected to bring a rash of bear-closing in the London market by traders needing stock to meet selling commitments entered into over the two week trading account which closes tomorrow. The Footsie has bounced convincingly at the 2,450 area this week; however, the near term outlook is dependent upon a Wall Street market which this week again demonstrated its ability to unsettle London.

Telegraph issue at discount

THE FIRST day of trading for The Telegraph new issue was dogged by several factors, not least of which was the market view that the shares were priced too high. The shares opened 289p, a sharp discount to the issue price of 325p, and slid further throughout the day *to close at 283p; the final dis*count of 42 to the offer price indicated the market's cautious view of the issue. Only 3m shares traded of 26m now in issue.

Analysts argued that at 325p the P/E multiple was too high and the yield too low but SG Warburg believed that at the 290p *level the shares were* attractive.

Initial trading was further hampered by the overhang of stock left with the underwriters. *Private investors sub*scribed for only 3m of the 13m offered. Finally, the gloomy state of the stock market, the stream of bad publicity relating *to the Maxwell media* empire and the failure of a number of new issues recently, all had their impact. Mr Guy Lamming from agency broker *James Capel commented:* "Its a shame that such a good asset has got off to such a bad start."

Dixons fall

Full-year results from Dixons were in line with expectations, but the high street group's bleak trading statement added to the gloom over the retail sector.

While the market was fairly positive about the group's overall trading performance, the poor trading climate at the present time created a general consensus that Dixons faces a tough 12 months, with margins under continued pressure. Analysts chopped forecasts for the next year accordingly, shaving an average 15 per cent off down to a range of £80m-87m.

Yesterday, the shares tumbled 9 to 214p. County NatWest said: "At this price, we are in no hurry to buy. Dixons will get cheaper."

Elsewhere, Marks & Spencer lost 8 to 311p, Kingfisher 4 to 466p, Boots 13 to 428p and Argos 4 at 229p.

RTZ nervous

The world's biggest mining group, RTZ, fell 25 to 583p following reportedly cautious comments by its *chief execu*tive Mr Derek Birkin, who was said to have told a meeting in Tokyo that copper prices are unsustainably high.

The shares were *also hit by a* weaker dollar. RTZ profits are highly sensitive to US currency moves and the dollar has lost about 14 per cent against sterling since mid-March. Analysts said the group loses £50m from net income profits for every 5 per cent fall in the dollar against a basket of currencies, all other things being equal.

Takeover rumours continued to sustain TSB which managed a minor gain of 2 at 139p although turnover was a minimal 1m shares. Merchant banks with market trading operations were again under pressure as turnover continued at extremely low levels.

SG Warburg closed a further 23 down at 460p and Kleinwort Benson dropped 5 more to 254p. Union Discount, still reeling from the warning that the group will record losses of up to £15m for the half-year period, relinquished 8 more to 53p.

The latest slide in share prices and their damaging effect on the composite insurance sectors' solvency margins, led to more weakness in the composite sector viewed by many strategists as a prime area for dividend cuts. The sector *was also damaged by fears* that the mortgage indemnity crisis will deepen.

General Accident fell 12 to 438p, Royal 7 to 200p, after a *low of 198p and Sun Alliance* retreated 8 to 268p.

The electricity distribution stocks suffered profit-taking after a better than expected *outcome from the Offer review.* The Electricity Package dropped 43 to £3,305, while the worst performers among individual stocks included Yorkshire, 10 lower at 373p, and Seeboard, 8 easier at 332p. Midlands fell 7¼ to 332p.

General unease took its toll on the water sector where smaller more thinly traded stocks were the poorest performers, with Northumbrian giving up 9 at 478p.

Reports of sharply declining oil consumption triggered a bout of nervous selling throughout the oil sector. Hints that some of the leading London broking houses may well be preparing downgrades across the board reversed the recent rally in BP shares which settled 3 off at 211p on good turnover of 6.1m shares. Shell dipped 3 to 495p on 3.4m. British Gas retreated 4 to 251½p on 6.7m shares.

Vague takeover speculation saw Calor edge up 5 to 184p. Enterprise Oil retreated 6 to 394p, unsettled by falling oil prices, but Lasmo were especially weak and settled 10 down at 162p, a fall of some 6 per cent, in relatively heavy trading.

P&O eased 6 to 418p, after a couple of brokers downgraded profit expectations. BZW reduced its current year forecast by £35m to £275m citing continued weakness in the UK economy. Kleinwort Benson was also cut its estimate. Container group Tiphook continued to recover from Monday's big falls that followed the release of lower than expected profits. The shares gained 18 to 365p, as dealers said a large line of stock that had overshadowed the market in the shares had been absorbed.

Reports that British Airways and USAir were in negotiations about a transatlantic airline partnership helped the shares of the former harden a penny to 268p.

Among motors, GKN were in demand, the shares firming 7 to 380p. Financial worries have continued at BM Group and the shares fell another 17 to 103p, in response.

"A dead cat bounce" is how the day's trading in British Aerospace was described by one dealer. The shares jumped 11 to 242p, in modest trade of 1.3m shares.

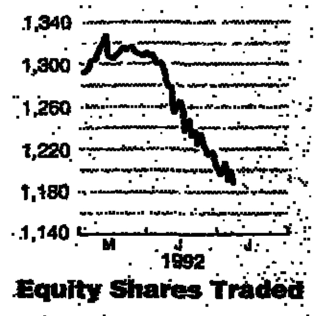
A Profits downgrading from Smith New Court left BTR lighter 12 at 450p.

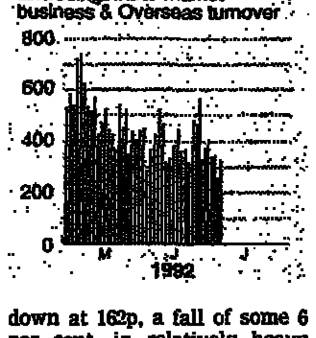
A dull day in leisure stocks was enlivened by a bounce in Rank Organisation, with the market growing in confidence that the group would report satisfactory results today. The share, up 11 at one stage, retreated to close a net 3 ahead at 631p.

A big agency deal in Queens Moat Houses saw 4m cross at 68p. The shares dipped a penny to 70p in overall turnover of 9.2m.

MARKET REPORTERS:
Peter John, Christopher Price, Joel Kibazo, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 18.





FINANCIAL TIMES STOCK INDICES

	July 8	July 7	July 6	July 3	July 2	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.62	89.84	89.72*	89.75	89.40	84.88	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	106.10	106.32	106.35	106.26	105.77	93.55	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share●	1881.1	1906.2	1891.0	1915.5	1901.1	1918.1	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	83.6	86.6	89.5	90.1	89.6	222.7	160.6 (10/1)	83.6 (8/7)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2472.6	2493.7	2469.0	2497.1	2476.1	2506.4	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1148.89	1157.81	1156.32	1168.36	1160.30	1154.87	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/81)
●Ord. Div. Yield	4.85	4.81	4.87	4.80	4.83	4.91				
●Earning Yld %(full)	7.10	7.05	7.13	7.03	7.07	8.62				
●P/E Ratio(Net)(☆)	17.67	17.79	17.61	17.86	17.74	14.26				
SEAQ Bargns 5.00pm	21,772	21,241	19,491	20,600	20,020	27,146				
Equity Turnover(£m)†	-	844.0	581.4	603.8	816.6	1019.8				
Equity Bargains†	-	23,270	22,265	22,547	22,487	27,415				
Shares Traded (ml)†	-	331.9	262.6	343.3	339.3	457.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90.☆ nil 16.40. * Correction

Ordinary Share Index, Hourly changes: Day's High 1897.9 Day's Low 1877.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1894.2	1896.0	1899.4	1877.4	1879.2	1880.6	1883.3	1886.1	1889.8

FT-SE 100, *Hourly changes* Day's High 2481.6 Day's Low 2454.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2476.9	2479.6	2471.2	2455.3	2458.9	2461.2	2466.3	2470.8	2470.4

FT-SE Eurotrack 200, Hourly changes Day's High 1149.63 Day's Low 1143.25

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1149.61	1149.01	1146.03	1144.34	1144.41	1147.07	1148.85

GILT EDGED ACTIVITY

Indices*	July 7	July 8
Gilt Edged Bargains	87.2	94.2
5–Day average	94.7	95.0

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	3	489	−2	Comm. Union	679	480	−7	Lucas	280	115		Shell Transport	3,400	495	−3
ASDA Group	5,300	28½		Cookson	447	141	−4	MB Caradon	1,600	254	−5	Siebe	546	650	−4
Abbey National	2,400	271	−8	Courtaulds	512	525		MEPC	177	282	−2	Slough Ests	256	161	−4
Albert Fisher	1,200	66	−1	Dalgety	187	419	+1	Manweb	422	371	−2	Smith (W.H.) A	574	438	+3
Allied-Lyons	1,100	623	−9	De La Rue	77	856	−4	Marks & Spencer	4,000	311	−8	Smith & Nephew	315	142	−1½
Amstrad	1,600	34	−1½	Dixons	6,000	214	−9	Midland Bank	1,800	458	−1	SmKl Beecham	2,800	682	+3
Anglian Water	1,300	409	−6	Eastern Elect.	1,900	285	−3	Midlands Elect.	661	332	−7½	SmKl Beecham Uts.	782	603	+30
Argos	482	229	−4	East Midland Elect.	748	314	−1	NFC	298	248	−3	Smiths Inds.	553	398	−1
Argyll Group	1,700	343	−5	Eng China Clays	3,200	510	−6	NatWest Bank	2,000	319	−4	Southern Elect.	1,400	311	+5
Arjo Wiggins	2,800	230	−1	Enterprise Oil	869	394	−6	National Power	1,400	249		South Wales Elect.	606	371	+2
Ass. Brit. Foods	140	431	−1	Eurotunnel Units	80	339	−2	Next	1,200	95	−2	South West Water	91	404	−7
Ass. Brit. Ports	164	337	+5	FKI	1,700	75		North West Water	1,100	418	−5	South West. Elect.	388	338	−5
BAA	386	665	+3	Fisons	2,500	209	−1	Northern Elect.	712	351	+2	Southern Water	603	388	−6½
[illegible]				[illegible]				[illegible]				[illegible]			
Brit. Aerospace	1,300	242	+11	IMI	419	330	−8	Reuters	370	1124	−5	United Biscuits	577	359	+2
British Airways	2,500	268	+1	ICI	1,900	1137	−8	Rolls Royce	1,600	147		Utd. Newspapers	332	407	−4
British Gas	6,700	251½	−4	Inchcape	1,200	430	−13	Rothmans	340	1070	−6	Vodafone	2,400	329	−4
British Land	343	186	−3	Kingfisher	1,100	465	−4	Ryl Bk Scotland	1,500	182	−1	Warburg (SG)	237	460	−23
BP	6,100	211	−3	Kwik Save	376	634	−15	Royal Insurance	685	200	−7	Wellcome	382	894	−6
British Steel	3,900	63½		Ladbroke	2,400	206	−2	Saatchi	19	133	+1	Welsh Water	285	465	−7
Bunzl	1,300	99	−5	Land Securities	1,100	388	−3	Sainsbury	1,000	449	−3	Wessex Water	328	479	−8
Burmah Castrol	89	595	−6	Laporte	282	573	−2	Scottish & New.	691	457	−5	Whitbread 'A'	1,300	439	−2
Burton	1,600	43	−2	Legal & General	807	358	−8	Scot. Hydro-Elect.	1,600	204		Williams Hldgs.	1,200	282	−4
Cable & Wire.	1,400	520	−4	Lloyds Abbey	347	377	−8	Scottish Power	3,400	185		Willis Corroon	2,700	204	−6
Cadbury Schweppes	1,500	408	−3	Lloyds Bank	3,200	411	−1	Sears	3,900	78	+1	Wimpey	75	134	−1
Calor Group	500	184	+5	LASMO	1,600	162	−10	Sedgwick	1,300	180	−3	Wolseley	625	348	−5
Carlton Comms.	451	596	−8	London Elect.	2,100	329	−4	Seeboard	795	332	−8	Yorkshire Elect.	680	373	−10
Coats Viyella	2,900	180	−1	Lonrho	2,200	89	−5	Severn Trent Water	1,300	404	−4	Yorkshire Water	629	451	−8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DEALERS reported a volatile *session in stock index futures,* with little in the way of features to help dealing, writes Joel Kibazo.

Having opened at 2,500, the *September Footsie contract* experienced a brief squeeze before it retreated, with dealers expecting a poor performance from Wall Street when *it opened. But there was little* in the way of dealings in the early part of the session and traders were reported to have been on the offer but seeing *few takers. By 10.30am,* September had fallen to 2,483.

Bargain hunters prevented further falls and boosted trade, and with the feeling *that the earlier falls had been* overdone, September gently crept forward in the afternoon. The firm opening on Wall Street helped sustain the *recovery in the contract* and generated reasonable buying interest towards the close.

September eventually finished the session at 2,504, *down 16 on Tuesday's close,* but around 8 points above its estimated fair value premium to cash of about 25. Turnover at around 8,000 contracts was *modest.*

Turnover in the traded options remained dull at 28,316 lots, but an improvement on Tuesday's poor 21,895 *contracts. The FT-SE 100* option put in a total of 15,459, with Shell the busiest stock option, trading 1,057 lots.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (11).
BUSINESS SERVICES (2) NMW Computers, Penna, CONGLOMERATES (1) Amer Free A, ELECTRICITY (2) Scot Hydro, Scot Power, ENGINEERING GENERAL (1) Sterling Inds, INVESTMENT TRUSTS (2) GT Venture, River & Merc Geared Pf, METAL & METAL FORMING (1) Clayhithe 9½pc Cv '00-01, TELEPHONE NETWORKS (1) Securicor, TEXTILES (1) Dunkeld.
NEW LOWS (175).
AMERICANS (4) Bowater Inc, Fluor, Gen Elect, Unifab, BANKS (1) Westpac, BUILDING MATERIALS (7) [illegible]

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jul 8 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Jul 7 Index No.	Mon Jul 6 Index No.	Fri Jul 3 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (177)	795.14	−1.3	7.40	5.64	17.31	16.81	805.60	803.59	813.13	799.69
2	Building Materials (22)	883.66	−0.8	6.13	6.34	22.18	25.24	890.51	879.90	889.65	1010.70
3	Contracting, Construction (28)	772.72	−1.2	4.50	7.74	48.75	24.60	782.27	785.73	797.58	1128.27
4	Electricals (9)	2442.03	−0.3	7.08	6.18	18.28	68.82	2449.53	2446.07	2456.08	2301.87
5	Electronics (28)	1976.99	−1.2	8.05	4.40	15.73	9.16	2000.42	2012.28	2007.32	1707.09
6	Engineering-Aerospace (6)	329.21	+1.0	11.07	7.92	11.43	11.27	325.90	326.81	332.64	407.65
7	Engineering-General (43)	476.28	−1.1	8.58	5.06	14.45	9.46	481.69	490.31	499.05	433.03
8	Metals and Metal Forming (8)	312.49	−0.5	5.47	7.07	26.69	3.60	313.97	311.98	317.99	438.68
9	Motors (14)	336.75	+0.4	7.88	6.98	16.69	10.04	335.35	331.78	337.47	298.85
10	Other Industrial Materials (19)	1685.76	−2.6	7.36	4.90	16.36	34.69	1731.13	1713.64	1738.36	1522.49
21	CONSUMER GROUP (188)	1574.17	−0.7	7.72	3.64	15.89	23.94	1585.61	1574.18	1589.77	1467.86
22	Brewers and Distillers (24)	2017.72	−1.0	8.21	3.62	14.70	29.35	2039.12	2029.58	2038.49	1774.51
25	Food Manufacturing (19)	1238.95	−0.4	8.71	4.26	14.20	23.82	1244.05	1238.78	1240.38	1183.13
26	Food Retailing (18)	2769.09	−1.1	8.81	3.29	14.79	44.70	2799.66	2830.36	2845.92	2659.52
27	Health and Household (24)	3770.71	+0.3	7.31	2.81	15.59	37.81	3760.87	3682.98	3726.98	3588.90
29	Hotels and Leisure (18)	1191.26	−1.0	6.73	5.74	19.32	23.55	1202.89	1196.30	1223.79	1221.89
30	Media (26)	1513.34	−0.6	6.39	3.46	19.36	25.88	1523.05	1507.56	1530.49	1379.56
31	Packaging, Paper & Printing (17)	759.38	−1.0	6.77	4.35	17.90	14.67	767.01	760.51	769.80	711.03
34	Stores (33)	993.57	−1.9	7.60	3.73	17.38	16.22	1012.53	1007.83	1023.53	907.04
35	Textiles (9)	648.94	−0.1	7.11	4.78	17.79	14.72	649.70	657.99	662.30	530.21
40	OTHER GROUPS (118)	1242.13	−0.6	10.03	5.30	12.46	22.32	1249.11	1234.82	1249.95	1232.38
41	Business Services (17)	1348.34	−1.9	6.47	3.70	18.82	20.78	1374.58	1365.54	1380.27	1271.33
42	Chemicals (22)	1373.23	−0.4	7.68	5.29	15.95	32.18	1379.38	1369.39	1407.60	1398.41
43	Conglomerates (11)	1239.21	−0.9	10.05	7.60	12.47	23.62	1251.01	1237.58	1252.98	1420.78
44	Transport (14)	2447.73	−0.1	8.31	4.82	14.84	51.61	2449.36	2430.26	2461.66	2145.60
45	Electricity (16)	1367.33	−0.3	14.23	5.33	8.91	17.21	1372.71	1336.19	1342.29	1214.30
46	Telephone Networks (4)	1390.08	−0.3	11.20	4.75	11.65	21.77	1394.78	1377.19	1388.98	1483.13
47	Water (11)	2800.34	−1.3	15.79	6.18	7.02	86.85	2837.02	2815.40	2862.93	2290.30
48	Miscellaneous (23)	1975.71	−0.4	5.78	4.99	23.12	24.35	1982.72	1969.47	1985.68	1983.64
49	INDUSTRIAL GROUP (483)	1275.01	−0.8	8.40	4.54	14.81	21.88	1284.97	1275.07	1289.12	1229.82
51	Oil & Gas (17)	1955.52	−1.3	7.74	7.27	16.98	63.73	1980.48	1955.90	1959.80	2415.69
59	500 SHARE INDEX (500)	1340.10	−0.8	8.34	4.81	15.00	25.11	1351.25	1340.19	1353.73	1330.13
61	FINANCIAL GROUP (85)	710.54	−1.3	-	6.39	-	20.03	719.57	714.52	731.70	779.58
62	Banks (9)	927.27	−0.7	5.20	5.89	30.45	24.58	933.85	927.06	956.10	877.09
65	Insurance (Life) (6)	1450.28	−1.4	-	6.14	-	44.26	1470.58	1463.62	1486.97	1471.23
66	Insurance (Composite) (7)	486.53	−2.6	-	7.15	-	13.46	499.27	490.63	501.53	665.08
67	Insurance (Brokers) (10)	795.26	−2.2	9.75	8.16	13.49	29.69	813.29	810.10	826.60	1152.14
68	Merchant Banks (7)	443.34	−2.5	-	4.87	-	11.25	454.73	457.51	468.21	417.25
69	Property (31)	615.34	−1.2	9.45	7.45	14.29	19.27	622.56	619.83	624.31	885.48
70	Other Financial (15)	240.40	−0.6	7.54	7.28	17.94	6.63	241.95	241.72	247.23	257.68
71	Investment Trusts (70)	1132.95	−0.8	-	3.95	-	18.86	1142.62	1140.75	1146.67	1192.45
99	ALL-SHARE INDEX (655)	1189.35	−0.9	-	4.98	-	23.55	1199.87	1190.41	1204.25	1197.17

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 7	Jul 6	Jul 3	Jul 2	Jul 1	Year ago
FT-SE 100 SHARE INDEX♣	2472.6	−21.1	2481.6	2454.6	2493.7	2469.0	2497.1	2476.1	2493.9	2508.4

FIXED INTEREST

	PRICE INDICES	Wed Jul 8	Day's change %	Tue Jul 7	Accrued Interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (24)	122.74	−0.11	122.87	2.09	6.48
2	5-15 years (24)	139.73	−0.13	139.91	2.62	6.89
3	Over 15 years (11)	150.97	−0.05	151.05	1.13	6.80
4	Irredeemables (6)	169.29	+0.06	169.19	1.53	7.34
5	All stocks (65)	136.91	−0.11	137.06	2.25	6.88
	Index-Linked					
6	Up to 5 years (2)	173.89	−0.03	173.94	1.02	1.83
7	Over 5 years (10)	153.87	−0.04	153.94	0.89	2.40
8	All stocks (12)	155.44	−0.04	155.50	0.90	2.31
9	Debs & Loans (62)	121.96	−0.44	122.50	2.33	6.16

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 8	Tue Jul 7	Year ago (approx.)
	British Government				
1	Low	5 years	8.20	8.15	9.00
2	Coupons	15 years	8.69	8.69	9.89
3	(0%-7¾%)	20 years	8.69	8.69	9.89
4	Medium	5 years	9.10	9.05	10.25
5	Coupons	15 years	8.92	8.91	10.10
6	(8%-10¾%)	20 years	8.88	8.88	10.03
7	High	5 years	9.31	9.27	10.43
8	Coupons	15 years	9.07	9.06	10.23
9	(11%-)	20 years	9.00	8.99	10.12
10	Irredeemables		8.99	8.99	10.08
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.02	4.01	4.45
12	Inflation rate 5%	Over 5 yrs.	4.31	4.31	4.32
13	Inflation rate 10%	Up to 5 yrs.	3.32	3.30	3.57
14	Inflation rate 10%	Over 5 yrs	4.14	4.13	4.14
15	Debs &	5 years	10.40	10.34	11.90
16	Loans	15 years	10.22	10.16	11.70
17		25 years	10.11	10.05	11.50

♣Opening Index 2476.9; 9 am 2479.6; 10 am 2471.2; 11 am 2455.3; Noon 2458.9; 1 pm 2461.2; 2 pm 2466.3; 2.30 pm 2467.5; 3 pm 2470.8; 4.10 pm 2471.2; (a) 8.48am (b) 10.57am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ Tel: 071-925 2323

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Exch 12¼pc 1992		100⅛	—	101¼	100⅛	12.21	9.96
13½pc 1992		100⅞	—	102¼	100⅞	13.41	9.74
Treas 8¼pc 1993		99⅞	−⅛	99⅞	97⅞	8.38	9.36
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		107⅛	−¼	107⅞	101⅞	9.81	9.08
Conversion 10¼pc 1999		106⅛	−¼	106⅞	100⅞	9.65	9.08
9pc 2000‡‡		100⅞	−⅛	100⅞	94⅝	8.98	8.94
9% 2000 C		100⅛	−⅛	100⅞	99⅞	8.94	8.94
Treas 13pc 2000		120⅞	−⅛	121⅛	114⅞	10.79	9.31
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 3pc '66 Aft		32⅞	—	32⅞	29⅞	9.25	–
Consols 2½pc		27⅞	+⅛	27¼	24⅞	9.03	–
Treas. 2½pc		27⅞	—	27⅞	24⅞	9.11	–
Index–Linked							
[illegible]							

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 08.07.92: Pool purchase price £/MWh	Final Prices for Trading on 11.06.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.00	17.82	17.52
0100	17.80	17.50	17.50
0130	17.80	17.62	17.52
0200	17.80	17.50	17.50
0230	17.80	17.60	17.60
0300	17.80	17.50	17.50
0330	17.80	17.50	17.50
0400	17.80	17.50	17.50
0430	17.80	17.50	17.50
0500	17.80	17.60	17.50
0530	17.70	17.60	17.50
0600	17.70	17.47	17.47
0630	17.80	17.82	17.52
0700	21.99	22.43	25.12
0730	22.40	22.75	25.42
0800	28.18	24.05	26.73
0830	28.00	27.99	30.35
0900	28.04	28.97	31.74
0930	28.07	28.98	31.67
1000	28.09	28.96	31.59
1030	28.10	28.96	31.63
1100	28.13	26.08	28.70
1130	28.18	28.00	30.69
1200	28.22	28.00	30.68
1230	28.19	28.00	30.67
1300	28.14	27.99	30.68
1330	28.08	26.66	28.28
1400	28.01	24.89	27.50
1430	28.08	24.90	26.93
1500	28.00	24.33	26.93
1530	28.00	24.89	27.50
1600	28.01	24.89	27.60
1630	28.05	27.90	30.69
1700	28.05	27.90	30.88
1730	28.03	27.99	30.89
1800	28.01	24.88	27.51
1830	25.47	24.05	28.68
1900	25.22	23.48	28.09
1930	24.90	23.14	26.75
2000	24.47	22.76	25.37
2030	24.47	22.82	25.24
2100	24.47	22.62	25.25
2130	26.02	29.00	29.00
2200	30.80	28.00	28.00
2230	25.27	30.68	33.34
2300	38.27	30.66	33.44
2330	28.02	29.26	32.04
2400	22.36	19.86	22.49

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.60/MWh becomes 1.660p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.
NGC Settlements Limited

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs ... h	15⅛	-½	19⅛	14⅞	13,088	2.0
♥Allegheny & W	272p	—	386p	226p	141.3	5.8
Amdahl	666p	-35	1169p	793p	978.3	0.6
Amer Cyanamid	29½	-¼	37	28⅝	2,898	2.9
Amer Express	12¼xd	-¼	18⅞	10[illegible]	5,816	4.3
Amer T & T	22[illegible]xd	-[illegible]	24⅞	20⅛	30,091	3.0
Ameritech	34	+⅛	36[illegible]	32½	14,888	5.4
BankAmerica	22⅛xd	-[illegible]	27⅛	19[illegible]	7,803	3.0
Bankers NY	31⅛xd	+⅛	37¼	28⅞	2,688	4.7
Bell Atlantic	23⅝	+⅛	26¼	23⅛	10,170	5.8
BellSouth	26¼	—	29⅛	25	12,883	5.5
♥Bethlehem Steel	7½xd	-⅛	9⅝	7	874.1	—
Bowater	1018pxd	-46	1579p	1018p	366.3	6.2
CPC ... h	24⅛xd	-[illegible]	26⅝	22⅛	3,691	2.6
♥Cadiz Land Inc	186p	-30	342p	168p	—	—
California Engy	620p	—	693p	620p	112.9	—
Campbell Soup	18xd	-¼	23[illegible]	17⅛	4,781	2.1
Chase Manhattan	14[illegible]xd	—	16½	9⅛	2,829	4.4
Chrysler	10xd	-¼	11½	6¼	2,921	3.1
Citicorp	10[illegible]xd	-[illegible]	11¼	5⅝	3,706	—
Colgate-Palm	26⅞xd	-⅛	29[illegible]	25¼	4,277	2.1
Cont'l Bank	950p	-2	1026p	499p	1,080	3.2
Dana	21¼xd	-⅝	24½	14[illegible]	961.7	3.9
Data General	397p	-12	1004p	398p	109.5	—
♥Decora Inds	104p	-1	122p	68p	-	—
Dun & Brad	29½	—	33½	27⅝	6,263	4.0
Eaton	38¼	-¼	48½	32½	1,315	3.0
Echlin	9¼xd	-[illegible]	11	7⅛	516.6	4.0
FPL	18[illegible]xd	+[illegible]	20	18⅛	3,196	6.9
Fluor	19¼	-¼	27	19¼	1,500	1.1
Ford Motor	22	—	26⅛	15	10,665	2.4
Gen Elect	39⅛xd	-1	48¼	39¼	34,024	2.8
[illegible]						

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

Notes	Price	+or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv ... †	165½	-½	178	157	3.7	189.7	16.3
Warrants	26	—	38	24	—	—	—
Scot Mortgage	148	-2	187	139	3.5	175.4	15.5
Scot National Inc	84½	-1	107	83½	14.8	—	—
Cap	21	-1	42	12½	—	15.3	-44.1
Stepped Pf ... †	141¼	-½	141½	126	6.8	—	—
Zero Div Pf	186½	—	186½	166½	—	—	—
Warrants	4	-½	9	3½	—	—	—
Scot Value ... tz	62½	—	64	49	3.8	59.9	-3.5
Sec Alliance ... †	1126	-9	1203	1118	4.1	1289.5	12.8
Second Market ... s	230	-1	244	222	1.9	282.0	18.3
Sec Tst Scot	86	-1	75½	69	6.6	89.8	4.7
Select Assets	88	—	102½	88	1.3	124.6	29.4
Eq Ind Serl	117	—	123	108	4.8	—	—
Eq Ind Serll	117	—	120	109	4.8	—	—
Shires	206	-2	249	195	10.5	224.8	8.2
11pc Cv Ln '03/04	£307½	-2	£315½	295½	10.2	—	—
Stam Select	71	—	91	71	1.9	83.7	15.1
Warrants	12	—	21	12	—	—	—
Smaller Cos	78	-1	85	67	4.3	87.7	9.9
Warrants	15	-1	29	10	—	—	—
Sphere Inc ... N	13	—	28	13	31.8	18.0	30.6
Zero Div Pf	74½	-½	77¼	65¼	—	—	—
Warrants	0¾	—	3½	0¼	—	—	—
Stratton	149	-4	166	147	1.6	176.9	14.6
Sumit	45	-5	55	38	3.7	109.5	58.9
TR City of Lon ... N	113½	-1	127½	97½	5.6	110.8	-2.5
TR Euro Growth ... s	79	—	90	78	1.7	96.8	18.3
Ptg Sub ... s	44	—	54	43	3.6	—	—
TR Far East Inc ... N	88	—	96	76	8.7	99.9	11.9

MEDIA - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Notes	Price	+or -	1992 high	low	Mkt Cap£m	Yld Gr's
Homestake S	27⅞	-⅛	29⅞	26¼	782.5	1.5
‡‡Ivernia West IE	37	—	53	37	11.8	—
‡‡Kells Minls IE	20	-2	42	20	0.48	—
Kenmare	3½	—	6½	3¼	3.35	—
Melinga Res	33½	-3½	48	30½	3.70	—
‡‡Navan Res IE	23	—	26	16	3.98	—
North West Expl AS	3	—	6	2	1.01	—
Oryx Gold S	69	—	103	51	—	—
Plateau	5½	-½	13	5½	2.59	—
RTZ	583	-25	669	469	5,841	4.5
Vizcaya	1¾	—	3	1	0.94	—
Western & Pac CS	16½	+4½	66	7	8.50	—
Young Grp	20	—	118	4	3.81	17.3

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ψ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♦	5	247.8	247.8	263.5	-6.4	0.89
(Accum Units) ♦	5	291.7	291.7	310.1	-6.4	0.89
British	5	802.8	819.9	867.5	-5.6	6.25
(Accum Units)	5	1346.3	1375.0	1454.8	-9.4	6.25
European	5	336.9	336.9	359.0	+0.5	1.46
(Accum Units)	5	365.2	365.2	389.2	+0.6	1.46
Japan	5	89.66	89.66	95.32	-0.55	-
(Accum Units)	5	90.38	90.38	96.08	-0.55	-
New Pacific	5	197.1	197.7	210.6	-1.1	1.66
(Accum Units)	5	204.8	205.4	218.8	-1.1	1.66
Investment Tst June 17	0	134.8	137.4	145.6	-1.4	2.50
Mngd Equity	5	122.9	123.9	131.1	-0.8	2.94
Mngd Equity Acc	5	132.5	133.6	141.3	-0.9	2.94
Mngd Cash	0	95.51	95.51	95.51	-	9.71
(Accum Units)	0	122.1	122.1	122.1	-	9.71
Majority Stg	1	99.61	99.61	100.60	-	9.45
Majority Stg Acc	1	112.36	112.36	113.48	-	9.45

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

International Jul 1	0	47.71	47.71	48.21	-	11.53

Sun Alliance Unit Tst Mngmt Ltd (1200)F
St Mark's Court, Horsham 0403 232323

Equity	6	593.9	601.7	643.9	-5.5	3.16
North America	6	73.60	73.60	78.72	-1.46	0.58
Far East	6	82.65	82.65	88.40	-0.22	0.47
W'wide Bond	6	46.90	46.90	49.89	-0.04	6.14
European	6	66.53	66.53	71.16	-0.20	1.77
Equity Income	6	65.48	65.48xd	70.03	-0.41	4.71
Portfolio	6	55.42	55.42	59.27	-0.43	1.77
UK Leading Cos	6	42.43	43.05	45.80	-	3.23
Broker Trusts						
Intnl Equity	6	43.74	44.16	47.23	-0.23	2.89

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingview, Basingstoke, Hants 0800 525725

American Growth	6	24.05	24.05	25.73	-0.40	0.81
Managed Assets	6	97.85	98.51xd	105.36	-0.11	3.41
UK Income	6	30.21	30.56xd	32.69	+0.06	4.66
UK Growth	6	30.71	31.07	33.24	+0.03	3.47
Worldwide Growth	6	22.11	22.11	23.65	-0.09	1.35

Sun Life Trust Mngmt Ltd (1200)H

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Jun 30	189.30	193.10	-	8.25
Equity Jun 30	456.95	468.95	-	4.06

* Available only to Local Authorities

M & G Securities Ltd

Charibond Jul 7		106.66	-	10.11
(Accum Units)		462.98	-	10.11
NAAGIF Jun 30		41.50	+0.3	9.06

Morgan Grenfell Investment Funds Ltd
Exempt Funds

UK Equity r Jul 7	128.0	137.4	-	1.97
UK Small Co r Jul 7	502.1	551.6	-	3.63
Fixed Interest r Jul 7	111.9	117.7	-	8.50
US Small Co Jul 7	136.0	145.6	-	0.00
Managed Jul 7	105.5	113.8	-	3.76
Intl Bond Jul 7	122.4	129.2	-	9.46
Japan Jul 7	56.54	60.25	-	3.28
European Jul 7	90.44	96.86	-	1.73
Nth American Jul 7	104.1	112.1	-	1.40

Morgan Stanley International

UK Exempt	1004.61	1068.96	-	-
Overseas Exempt	929.23	967.80	-	-

Murray Johnstone UT Mngmt
Murray Exempt Funds

American Exempt	47.91	49.78	-0.35	1.45
European Exempt	50.59	52.16	-0.17	2.84
Fixed Int Ex Jul 8	47.07	47.59xd	+0.53	9.07
Japan Exempt	34.41	35.48xd	-0.21	0.85
Managed Ex Jul 2	44.82	46.02	-	4.26
SE Asia Exempt	76.46	79.86	-0.62	2.05
Sm Cos Expt Jul 8	34.44	36.16	-1.07	3.22
UK Eqty Ex Jul 8	41.97	45.20	-1.60	4.03

Phillips & Drew Fund Management Ltd

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Pearl Assurance (Unit Funds) Ltd
Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or -	Yield Gross
Property Dist. (Gross)	136.1	143.3		-
Property Acc (Gross)	259.4	273.1		-
Equity (Gross)	852.2	897.0	-0.8	-
Managed (Gross)	602.5	634.2	-0.7	-
Property Acc (Net)	124.0	130.5		-
Equity (Net)	198.3	208.7	-0.2	-
Adventurous Managed	91.1	95.9	-0.5	-
Managed (Net)	185.6	195.4	-0.2	-
Cautious Managed	96.4	101.5	+0.1	-
International (Net)	157.5	165.8	-0.5	-
Gilt & Fixed Interest	142.6	150.2	-0.2	-
Money Fund	140.1	147.4		-
Mixed Fund (Cap)	116.2	122.4		-
Mixed Fund (Acc)	120.7	127.1		-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	653.7	688.2	-0.3	-
Ret Man (Series 2)	221.7	233.4	-0.1	-
Ret Cash	197.5	207.9		-
Pens Mixed Fd (Cap)	128.7	135.5		-
Pens Mixed Fd (Acc)	133.7	140.8		-
Pens Stlg Fd (Cap)	103.7	109.2		-
Pens Stlg Fd (Acc)	107.7	113.4		-

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd
37-39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	129.0	136.0	-2.0	-
Building Soc. Fd	223.0	235.0		-
Balanced	266.0	280.0	-3.0	-
European	205.0	216.0	-2.0	-
GT Managed	182.0	192.0	-1.0	-
Gartmore Mngd	120.0	127.0		-
German	133.0	140.0	-2.0	-
Gilt	179.0	189.0		-
Global	40.0	43.0		-
International Equity	193.0	204.0	-2.0	-
Japan	161.0	170.0	+1.0	-
Leisure	48.0	51.0		-
Managed	45.0	48.0		-
Property	292.0	308.0		-
UK Equity	257.0	271.0	-3.0	-

Provident Mutual Life Asc. Assn.—Contd.
Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	451.3	475.1	-2.1	-
Managed Init	329.0	346.3	-1.6	-
Equity Ord	691.5	727.9	-4.3	-
Equity Init	504.2	530.7	-3.2	-
Pen Ind Lkd Gilt Ord	190.5	200.5		-
Pen Ind Lkd Gilt Init	145.1	152.7		-
Overseas Equity Ord	286.3	301.4	-1.8	-
Overseas Equity Init	208.8	219.8	-1.3	-
Property Ord	280.3	295.1	+0.2	-
Property Init	204.5	215.1		-
Fixed Interest Ord	293.4	308.8	-0.9	-
Fixed Interest Init	213.9	225.2	-0.6	-
Deposit Ord	269.2	283.4		-
Deposit Init	196.3	206.6		-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prufund				
Managed Jul 8	254.0	264.6	-2.9	-

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary Jul 1	£184.75	190.49		-
Equity Jul 1	£214.03	221.38		-
International Jul 1	£25.86	26.41		-
Intl Bond Jul 1	£14.01	14.20		-
Fixed Int Jul 1	£105.45	106.65		-
Index Linked Jul 1	£77.30	78.28		-
Property Jul 1	£109.38	115.37		-
Cash Jul 1	£30.8173	30.8173		-
Pre-Linked Retirement Plan				
Managed Jul 7	438.6	456.9	-3.3	-
Cash Jul 7	283.5	295.4	+0.7	-
Prudential Pensions Investment Account				
Pens Mngd Jul 9	174.5	187.8	-1.2	-
Pens UK Eq Jul 9	309.5	333.7	-2.5	-
Pens Intl Jul 9	184.4	198.4	-1	-
Pens Global Eqty Jul 9	96.8	101.9	-0.7	-
Pens Fixed Jul 9	241.8	255.3	-0.3	-
Pens Index Lk Jul 9	198.9	210.0		-
Pens Property Jul 9	89.4	94.2		-

Scottish Amicable
150 St Vincent St, Glasgow
Life Funds (First Series)

	Bid Price
Managed	330.5
Equity	424.2
Property	230.4
International	291.8
Japanese	73.8
Asia Pacific	102.1
European	96.0
American	96.3
Fixed Interest	299.4
Index-Linked Gilt	161.8
Cash	209.6
Life Funds (Second Series)	
Managed	91.5
Equity	90.8
Property	95.1
International	89.7
Japanese	73.6
Asia Pacific	99.7
European	94.2
American	93.6
Fixed Interest	112.1
Index-Linked Gilt	103.0
Cash	103.5
Pension Funds	
Building Society	162.7
Managed (Unit)	193.7
Managed (Acc)	362.8
Equity (Unit)	226.3
Equity (Acc)	423.8
Property (Unit)	151.3
Property (Acc)	278.7
International (Unit)	169.2
International (Acc)	317.1
Fixed Interest (Unit)	201.8
Fixed Interest (Acc)	378.0
Cash (Unit)	152.9
Cash (Acc)	286.5

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh

	Bid Price
Mixed	185.4
UK Equity	185.4

Royal Life Intl. Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Life Gilt Fd	£1.634	1.758	+0.017	-
Royal Life UK Eqs Fd	£1.296	1.394	-0.039	-
Royal Life Amer Fd	£0.903	0.971	+0.016	-
Royal Life Euro Fd	£0.943	1.015	-0.004	-
Royal Life Far East Fd	£0.826	0.889	+0.003	-
Ryl Life Intl Gwth Fd	£0.802	0.863	-0.021	-
Royal Life Intl Prop	£2.007	2.159	+0.023	-
Analysis APM O/S Fd	£1.501	1.615	-0.019	-
Analysis Bal Inv Port	£1.092		-0.014	-
AS & Co Offshore Bal F	£0.946	1.018	-0.011	-
Laconia Intl. Fd	£1.452	1.600	-0.023	-
Young & Co Int Port	£1.116	1.201	-0.019	-
YRA Growth Fd	£1.031	1.109	-0.009	-
YRA $ Growth Fd	$0.920	0.990	+0.005	-
YRA Special Opps	£0.851	0.916	-0.011	-

Fidelity Money Funds—Contd.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
C$ Accum		C$-	15.537		[illegible]	4.80
C$ Dist		C$-	15.537		[illegible]	4.80
DM Accum		DM-	31.608		[illegible]	8.70
DM Dist		DM-	31.608		[illegible]	8.70
DFl Accum		Dfl-	26.340		[illegible]	8.60
DFl Dist		Dfl-	26.340		[illegible]	9.60
ECU Accum		Ecu-	10.585		[illegible]	9.60
ECU Dist		Ecu-	10.583		[illegible]	9.60
FFr Accum		FFr-	52.790			9.20
FFr Dist		FFr-	52.790			9.20
HK$ Accum		HK$-	102.19		+0.03	3.40
HK$ Dist		HK$-	102.19		+0.03	3.40
Lire Accum		L-	16.048		+17	13.6
Lire Dist		L-	16.048		+17	13.6
NZ$ Accum		NZ$-	31.090		[illegible]	5.20

Royal Bank of Canada Offshore Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 0481 725021

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sterling Global	0	£-	7.935			-
Intl Capital Port(I-D)	5	$-	5.218	5.509		-
Far East & Pacific Fd	5	$-	41.867	43.923	[illegible]	-
North America Fd	5	$-	17.159	18.356		-
Canadian Fd	5	C$-	12.938	13.836		-
Intl Bond Fd	5	$-	14.001	14.796	[illegible]	-
European Fund	5	$-	12.209	13.076		-
British Fund	5	£-	4.602	4.929		-
Intl Currencies Fd Ltd						
US$		$-	37.98		+0.01	-
Canadian $		C$-	55.11			-
£ Sterling		£-	25.61			-
D-Mark		DM-	78.33		+0.01	-
Swiss Francs		SFr-	58.09		+0.02	-
Japanese Yen		¥-	9123			-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar sinks in chaotic market

The dollar dropped to a new fifteen-month low on the foreign exchanges yesterday, in what some traders called the most volatile day for the US currency in many months, *writes James Blitz.*

The US currency fell victim to heavy selling after Mr Nicholas Brady, the US Treasury Secretary, said at the summit of the Group of Seven leading industrial nations in Munich that he was unconcerned if the dollar fell below DM1.50. That comment triggered heavy selling on Tuesday night and yesterday morning, with the dollar falling to a low of DM1.4750 against the German currency in London trading.

In the afternoon, the dollar recovered ground after Mr Brady retracted his comment, telling the Reuters news agency that "we are not seeking to depreciate the dollar." Other dealers said that the dollar's recovery may have been boosted by technical factors, with many traders suddenly finding themselves too short of the US currency. By the day's end in London, the dollar was at DM1.4970 compared to a previous close of DM1.4980. But traders pointed out that it had oscillated through neraly three pfennigs in the previous 24 hours. In late American trading, the US currency was again weakening at around DM1.4935.

Many dealers believe that the dollar will continue to encounter highly volatile trading in forthcoming days, with every chance that it will sink to its all-time low against the D-Mark of DM1.4430. Other analysts recall that the kind of volatility seen yesterday can sometimes herald a major change in a currency's fortunes, and at least one analyst remained bullish about the dollar.

But the overwhelming feeling towards the dollar in the market was bearish: "The problem of the day is to get the US economic recovery going," said Mr Christian Dunis, chief economist at Chemical Bank in London. "If that is at the cost of a weaker dollar, then so be it."

The other important action was in sterling/D-Mark trading, with the pound finishing the day over 1½ pfennigs down on the previous night's close at DM2.8720. Sterling's losses were partly a product of the D-Mark's huge gains against the dollar. But many traders explained the pound's fall by uncertainty over the Bank of England's intentions on interest rates.

Last Friday, the Bank shaved the rates at which it deals in longer-dated money. The expectation was that the Bank would signal a cut in base rates later. But this has not materialised, and one London-based analyst said that the Bank had left dealers trying to guess whether a cut was in the offing or not.

£ IN NEW YORK

July 8	close	Previous Close
£ Spot	1.9273 - 1.9280	1.9327 - 1.9337
1 month	1.12 - 1.11pm	1.14 - 1.12pm
3 months	3.27 - 3.25pm	3.13 - 3.10pm
12 months	10.80 - 10.70	10.73 - 10.63

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 8	Previous
8.30 am	93.1	93.1
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Jul 8	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for July 7

CURRENCY MOVEMENTS

Jul 8	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100) **Rates are for July 7

OTHER CURRENCIES

Jul 8	£	$
Argentina	1.9005 - 1.9035	0.9900 - 0.9910
Australia	2.5735 - 2.5755	1.3405 - 1.3415
Brazil	6706.55 - 6710.55	3498.10 - 3498.30
Finland	7.8198 - 7.8430	4.0800 - 4.0830
Greece	349.400 - 355.000	180.480 - 183.370
Hong Kong	14.8400 - 14.8635	7.7315 - 7.7325
Iran	2738.00*	1435.00*
Korea(Sth)	1507.95 - 1532.30	783.10 - 789.30
Kuwait	0.55500 - 0.55600	0.28850 - 0.28870
Luxembourg	59.05 - 59.15	30.75 - 30.85
Malaysia	4.7890 - 4.8015	2.4970 - 2.4990
Mexico	5760.40 - 5773.05	3116.50 - 3117.50
N Zealand	3.5220 - 3.5260	1.8345 - 1.8365
Saudi Ar	7.2220 - 7.2990	3.7495 - 3.7505
Singapore	3.0940 - 3.1015	1.6140 - 1.6150
S Af (Cm)	5.2635 - 5.2760	2.7485 - 2.7505
S Af (Fn)	7.7635 - 7.8115	4.0435 - 4.0685
Taiwan	46.85 - 47.05	24.40 - 24.50
U.A.E.	7.0715 - 7.1485	3.6715 - 3.6735

*Floating rate. Iran Official rate £121.40 $64.00

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 8	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	172.450	-3.52	5.99	57
Spanish Peseta	133.631	129.293	-3.25	5.70	55
Belgian Franc	42.4032	42.1315	-0.64	2.92	27
D-Mark	2.05586	2.04552	-0.50	2.78	26
Dutch Guilder	2.31643	2.30605	-0.45	2.72	18
French Franc	6.89509	6.89044	-0.07	2.33	-1
Irish Punt	0.767417	0.767075	-0.04	2.31	-2
Danish Krone	7.84195	7.87204	0.38	1.87	-22
Italian Lira	1538.24	1545.73	0.49	1.77	-28
Sterling	0.696904	0.712682	2.26	0.00	-45

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

Jul 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	1.3630 - 1.3840	1.3685 - 1.3695	0.85-0.82cpm	7.32	2.53-2.49pm	7.33

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jul 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10¾ - 10⅝	10⅞ - 10¾	10¼ - 10⅛	10⅛ - 10	10⅛ - 9⅞	10 - 9⅞
US Dollar	3⅝ - 3½	3⅜ - 3¼	3⅞ - 3½	3½ - 3⅜	3⅝ - 3½	3⅞ - 3¾
Can. Dollar	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼	5½ - 5⅜	5⅝ - 5½
Dutch Guilder	9⅝ - 9½	9¾ - 9⅝	9⅞ - 9¾	9⅞ - 9¾	9½ - 9⅜	9½ - 9⅜
Swiss Franc	8¾ - 8⅝	9 - 8⅞	9⅛ - 8⅞	9⅛ - 8⅞	9⅛ - 8⅞	8⅞ - 8¾
D-Mark	9⅝ - 9½	9⅝ - 9½	9⅞ - 9¾	9¾ - 9⅝	9¾ - 9⅝	9⅝ - 9½
French Franc	10 - 9⅞	10 - 9⅞	10⅛ - 9⅞	10⅛ - 10	10⅛ - 10	10 - 9⅞
Italian Lira	15 - 13	15¼ - 14¾	15¼ - 14¾	14¾ - 14½	14⅝ - 14⅜	14 - 13¾
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜	9½ - 9⅜
Yen	4⅞ - 4¾	4⅞ - 4¾	4⅝ - 4½	4⅝ - 4½	4½ - 4⅜	4½ - 4⅜
Danish Krone	10¾ - 10½	10½ - 10	10¾ - 10½	10⅝ - 10⅜	10⅝ - 10⅜	10⅝ - 10⅜
Asian $Sing	1⅛ - 1	1¼ - 1⅛	2¼ - 2⅛	2⅜ - 2¼	2⅝ - 2½	3⅛ - 3
Spanish Peseta	12⅛ - 11⅞	12¼ - 11¾	12⅛ - 12	12⅝ - 12½	12⅝ - 12½	12⅝ - 12⅜

Long term Eurodollars: two years 4⅞-4¾ per cent; three years 5¼-5⅛ per cent; four years 5¾-5⅝ per cent; five years 6¼-6⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

July 8	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Pta.	Ecu
£	1	1.919	2.872	239.5	9.670	2.585	3.237	2167	2.288	59.10	181.4	1.405
$	0.521	1	1.497	124.8	5.039	1.347	1.687	1129	1.192	30.80	94.53	0.732
DM	0.348	0.668	1	83.39	3.367	0.900	1.127	754.5	0.797	20.58	63.16	0.489
YEN	4.175	8.013	11.99	1000	40.38	10.79	13.52	9048	9.553	246.8	757.4	5.866
F Fr.	1.034	1.984	2.970	247.7	10	2.673	3.347	2241	2.366	61.12	187.6	1.453
S Fr.	0.387	0.742	1.111	92.65	3.741	1	1.252	838.3	0.885	22.86	70.17	0.544
N Fl.	0.309	0.593	0.887	73.99	2.987	0.799	1	669.4	0.707	18.26	56.04	0.434
Lira	0.461	0.886	1.325	110.5	4.462	1.193	1.494	1000	1.056	27.27	83.71	0.648
C$	0.437	0.839	1.255	104.7	4.226	1.130	1.415	947.1	1	25.83	79.28	0.614
B Fr.	1.692	3.247	4.860	405.2	16.36	4.374	5.477	3667	3.871	100.	306.9	2.377
Pta	0.561	1.058	1.583	132.0	5.331	1.425	1.784	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.712	1.366	2.044	170.5	6.883	1.840	2.304	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE) — CHICAGO — PARIS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
105	-	-	-	0.05	0.23	-
106	-	-	-	0.11	0.37	-
107	-	1.69	-	0.28	0.64	-
108	0.48	1.13	-	0.69	-	-
109	0.48	0.70	-	-	-	-
110	0.48	0.39	-	-	-	-
Open Int	102,007	178,467	3,200	89,115	34,434	3,960

Estimated volume 30,976 Total Open Interest N/A

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9195	1.9084	1.8866	1.8596	1.8110

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	● Robert Fleming & Co.	10	Provincial Bank PLC	14
Bank of Cyprus	10	Robert Fraser & Ptnrs.	10.5	● Rea Brothers	10
Bank of Ireland	10	Girobank	10	Roxburghe Bank Ltd.	11
Bank of India	10	● Guinness Mahon	10	Royal Bk of Scotland	10
Bank of Scotland	10	Habib Bank AG Zurich	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	● Hambros Bank	10	Standard Chartered	10
Barclays Bank	10	Hampshire Trust Plc	13.5	TSB	10
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10	Unibank plc	10
Brit Bk of Mid East	10	● Hill Samuel	10	● United Bk of Kuwait	10
● Brown Shipley	10	C. Hoare & Co.	10	Unity Trust Bank Plc	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Western Trust	10
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Confusion on rates

PERIOD rates in the sterling cash markets ended even firmer yesterday, as dealers took the whole day to remove a large shortage and the pound slipped further against the D-Mark on the foreign exchanges.

The Bank of England forecast a shortage of £1.45bn at the start of the day and later revised it upwards to £1.7bn. Once again, the market was sticky, and the Bank ended the day providing late assistance of around £650m. Dealers said that the slowness with which bills were offered was due to the determination of clearing banks to keep money tight. There was continuing speculation, too, that the Bank of England might offer money at cheaper rates.

However, if the Bank had set out with the intention of instigating a base rate cut last Friday, that policy appeared to have been well-and-truly abandoned yesterday. Sterling dipped further on the foreign exchanges, ending the day at DM2.8720. Traders were bemused over the Bank's intentions. One discount house trader wondered why the Bank did not go ahead with a cut earlier this week. "I believe that sterling would have been no worse than it now is at its current levels," he said. "The Bank should have taken the risk."

Instead, the Bank continued to deal in Bands 1 and 2 at the established rate of 9⅞ per cent, and in repurchase agreements (repos) at 9$\frac{13}{16}$ per cent. One-month money ended the day unchanged at 10$\frac{1}{16}$ per cent, but 3-month money, a key indicator of where the market thinks rates are moving, moved up to 10$\frac{1}{16}$ per cent from 10$\frac{1}{32}$ per cent. Further out, rates firmed even more: 6 month money closed at 10$\frac{1}{32}$ per cent from a previous close of 9$\frac{15}{16}$ per cent, and 1-year money closed at 9$\frac{31}{32}$ from a previous close of 9$\frac{13}{16}$ per cent.

Sterling futures reflected the bearish mood. The September short sterling contract closed down eight ticks from its previous close at 90.14 and the December contract was down 9 ticks to close at 90.38.

In its morning operations, the Bank purchased £113m of Band 1 bank bills, and £45m in a "repo" for resale on 27 July. Later the bank purchased £23m in Band 1 and £210m in a similar "repo." In the afternoon, the Bank purchased £210m in Band 1 bank bills, £143m in Band 2 bank bills and £265m in the "repo."

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. July 8)	3 months US dollars	6 months US Dollars
	bid 3¼ offer 3½	bid 3¾ offer 3⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]	[illegible]	[illegible]	[illegible]

July 8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jul 8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

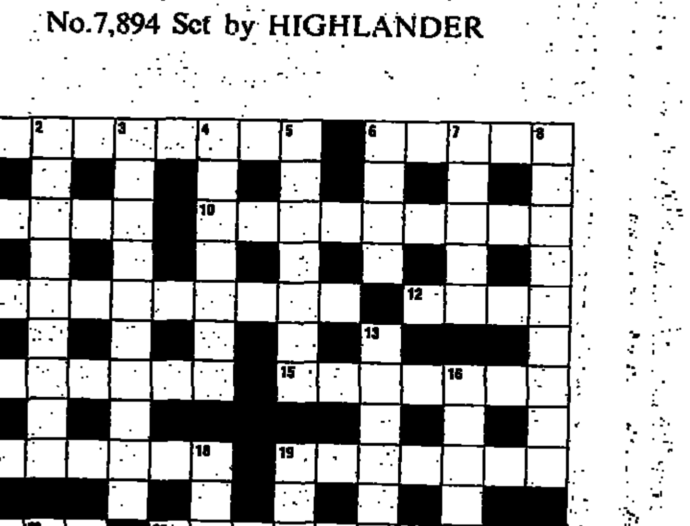
[illegible]	[illegible]	[illegible]	[illegible]

Money Market Bank Accounts

[illegible]	[illegible]	[illegible]	[illegible]

CROSSWORD

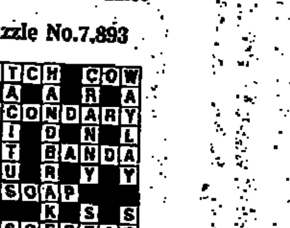
No.7,894 Set by HIGHLANDER



ACROSS
1 Deception by business editor is corroborated (9)
6 Dress in the customary manner (5)
9 Publicised excellent claret (5)
10 Public votes on special issues relate to boundary area (9)
11 Parliamentary closure much favoured by French revolutionaries (10)
12 Was plural form on beginning of word before? (4)
14 One amount of money turned over to California by Oklahoma perhaps (7)
15 Low key, said to be characteristic of ocean depths (4-3)
17 Worn as a favour - established part of routine procedure (7)
19 Managed to fire rifle (7)
20 Running after an unknown author (4)
22 Pals can tip off job-hunters (10)
25 Regard as belonging to the property (9)
26 Unconventional and unfashionable note (5)
27 Send down the river without a penny left (5)
28 Falls into line at university and wears best suit (7,2)

DOWN
1 Scottish family at top of glen have a ding-dong (6)
2 Rising suspicion thus directed makes flower boy very conceited (9)
3 Rude show includes originals of erotic lithographs (10)
4 Spoil it almost completely in marriage (7)
5 Resisted about point being clearly explained (7)
6 Run like a rabbit from Burke's colleague (4)
7 Bulk container say, overturned in bout of drinking (5)
8 Brand used to deal with foreign currency (9)
13 Revised price to cover new debts is wicked (10)
14 Preserve Edam - alarm misplaced (9)
16 Wild nag in USA stands still (9)
18 In detail, explain old currency (7)
19 Substitute for ease (7)
21 Leading to parking area (2,3)
23 Costing a lot to soak (5)
24 Window-shelf is about £2.00 (4)

Solution to Puzzle No.7,893



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

4:00 pm prices July 8

Quotations in cents unless marked $

[illegible]

Sales	Stock	High	Low	Close	Chng
1000	Canamax	30	30	29	
7300	Cantor	328¾	28¾	28¾	+¼
400	CnPcForest	$27	27	27	
14000	Cara Op	440	425	440	+20
16700	Cascades	$8⅞	8	8⅛	+⅛
16100	Celanese	$42¼	42	42	
17000	Cntrl Cap	10	d9½	10	
9400	Cineplx Od	325	315	315	
200	Cotrl Fd A	470	470	470	
111000	Cominco	u$23	22¼	22⅞	+⅛
1000	Coputalog	48	48	48	
4700	Invest Grp	$24⅛	23⅞	23⅞	–⅛
134400	Ivaco A	455	425	435	–20
2000	Jannock	$15¼	15½	15½	
1900	KerrAddis	$15	14⅞	15	–⅛
47800	Labatt x	$27½	27¼	27½	+⅛
609400	Lac Mnls	$8⅝	8⅜	8½	
1300	Lafarge	$17¼	17⅛	17¼	
15400	Laidlaw A	$12⅞	12⅞	12⅞	
429200	Laidlaw B	$13	12⅞	12⅞	
900	Laurent Bk x	$17⅛	17⅛	17⅛	
136200	Ranger Oil	$8⅝	8½	8⅝	+⅛
7700	Rayrock	u$8⅞	8⅛	8⅜	
200	Reed Sten	$25⅞	25⅞	26⅛	+1⅛
400	Reitman S	$17	17	17	+½
83400	Ren'ssance	$14⅛	14⅛	14⅛	
65200	Repap Ent	365	350	350	–20
23000	Rio Algom	$16¼	16⅛	16¼	+⅛
217500	RogersComB	$13½	13⅛	13⅛	–⅛
900	Rothmans	$91	90	90	–1
291100	RoyalBkCan	$25	24⅞	24⅞	
122200	Ryl Oak Mn	195	192	193	+7
242400	RylTrustco	$5⅞	d5⅝	5⅝	–⅛
500	DominTxt A	$6¼	6¼	6¼	
1600	MacleanHu	$11⅞	11⅞	11⅞	
123400	NatBk Can	$8⅞	8⅝	8⅞	+⅛
1800	Provigo	$8⅛	8¼	8¼	+⅛
11700	Quebecor A	$14⅛	14⅛	14⅛	
3200	Teleglobe	$13½	13¼	13⅛	
16100	Videotron	u$17¼	17½	17¼	+¼

Total Sales 14,405,600 shares

MONTREAL

4:00 pm prices July 8

INDICES

NEW YORK

DOW JONES	Jul 8	Jul 7	Jul 6	Jul 2	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	3293.28	3295.17	3339.21	3330.29	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	100.71	100.50	100.44	100.36	100.71 (8/7)	96.41 (20/3)	100.71 (8/7/92)	54.99 (1/10/81)
Transport	1289.61	1314.46	1321.19	1324.74	1467.68 (20/2)	1277.65 (26/6)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	217.64	216.45	215.26	213.57	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 3323.00 (3360.82) Low 3258.70 (3285.71)

STANDARD AND POOR'S

	Jul 8	Jul 7	Jul 6	Jul 2	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	410.28	409.16	413.84	411.77	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	481.07	479.64	486.40	483.64	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.93	36.02	36.40	36.47	36.47 (2/7)	32.40 (8/4)	36.47 (2/7/92)	8.64 (1/10/74)
NYSE Composite	225.49	225.15	227.44	226.41	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	379.86	380.26	382.58	382.55	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	557.57	557.41	563.17	563.35	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Jun 26	Jun 19	Jun 12	year ago (approx.)
Dow Industrial Div. Yield	3.14	3.14	3.03	3.16
	Jul 1	**Jun 24**	**Jun 17**	**year ago (approx.)**
S & P Industrial div. yield	2.66	2.72	2.72	2.96
S & P Indl. P/E ratio	28.74	28.14	28.03	16.95

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Merrill Merrill	5,197,000	27	- ⅛
BankAmerica	2,555,300	42½	- 1¼
Glaxo	2,140,500	26⅛	+ ⅛
Telefonos	2,134,200	44¼	- ⅛
Philip Morris	2,084,700	78⅞	+ ⅛
Union Carbide	1,808,800	12	+ ⅛
Gen Motors	1,633,400	40⅛	- ⅛
Merck	1,631,300	50⅞	+ ⅝
Boeing	1,611,700	40⅞	- ⅞
Waste Mgt	1,536,500	34⅞	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Jul 8	Jul 7	Jul 6
New York SE	200.020	220.345	186.410
Amex	9.550	10.996	7.928
NASDAQ	(u)	174.407	134.773
NYSE			
Issues Traded	2,293	2,281	2,292
Rises	805	696	980
Falls	895	1,048	774
Unchanged	593	537	538
New Highs	79	103	73
New Lows	50	44	33

CANADA

TORONTO	Jul 8	Jul 7	Jul 6	Jul 3	1992 HIGH	1992 LOW
Metals & Minerals	3172.31	3161.97	3168.98	3201.74	3238.87 (16/1)	2828.26 (8/4)
Composite	3418.40	3416.29	3426.91	3420.10	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1814.48	1809.83	1817.24	1806.18	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jul 8	Jul 7	Jul 6	Jul 3	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1651.4	1660.5	1663.6	1663.2	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	721.2	725.3	726.1	726.8	736.80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	376.21	382.31	382.82	383.30	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	907.62	925.24	928.26	933.22	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1164.72	1170.44	1174.06	1174.80	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	318.07	319.45	319.70	319.50	365.29 (15/1)	316.58 (23/6)
FINLAND						
HEX General (28/12/90)	738.0	741.9	751.2	750.7	935.90 (24/2)	738.00 (8/7)
FRANCE						
CAC General (31/12/82)	506.62	509.74	509.23	509.25	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1847.75	1879.09	1868.52	1883.64	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	694.45	697.36	700.46	698.92	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	1963.3	1970.0	1981.2	1977.7	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1751.18	1767.51	1772.36	1776.98	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5981.91	5911.92	6024.77	6061.85	6134.75 (1/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1267.52	1280.82	1285.56	1289.15	1469.57 (17/1)	1267.52 (8/7)
ITALY						
Banca Com. Ital. (1972)	429.12	434.29	441.35	444.16	551.59 (6/2)	429.12 (8/7)
MIB General (2/1/92)	842.0	852.0	867.0	873.0	1086.00 (5/2)	842.00 (8/7)
JAPAN						
Nikkei (16/5/49)	16600.26	16459.55	16657.07	16717.78	23801.18 (6/1)	15741.27 (29/6)
Tokyo SE (Topix) (4/1/68)	1274.13	1271.15	1287.54	1293.55	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1891.08	1907.01	1919.73	1917.03	2459.85 (6/1)	1868.82 (30/6)
MALAYSIA						
KLSE Composite (4/4/86)	595.97	596.7	595.75	596.08	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tll.Rtn.Gen (End 1983)	297.9	299.5	300.1	301.5	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	203.5	204.6	205.1	206.0	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	670.8	681.19	682.53	678.58	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1481.82	(c)	1496.33	1477.16	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	399.37	399.32	400.78	401.00	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1076.0	1067.0	1085.0	1099.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4304.0	4367.0	4435.0	4499.0	4689.00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	531.79	535.34	535.72	547.20	691.48 (8/2)	531.79 (8/7)
SPAIN						
Madrid SE (30/12/85)	233.61	236.29	236.74	239.44	266.51 (28/2)	233.61 (8/7)
SWEDEN						
Affarsvariden Gen. (1/2/37)	877.5	894.4	904.1	914.6	1014.50 (11/5)	877.50 (8/7)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	839.6	847.9	(u)	875.9	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	635.3	642.8	(u)	657.8	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4329.31	4432.22	4511.97	4455.98	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangok SET (30/4/75)	729.84	731.82	731.62	738.86	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) ($)	499.9*	501.3	503.7	503.7	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	893.55	902.62	903.37	910.82	976.55 (25/5)	870.31 (2/1)

**Saturday July 4: Taiwan Weighted Price: 4534.31. Korea Comp Ex. 545.41.
‡ Subject to official recalculation. *Calculated at 15.00 GMT
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 8 July 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod	7.3m	985	+34	Toshiba Corp	2.9m	647	-4
Taiyo Fishery	6.0m	517	+15	Koa Denko	2.9m	916	+18
Green Cross	5.9m	1,140	-80	Mochida Pharm	2.7m	3,360	+280
Sanyo-Kokusaku	5.3m	578	-27	Okamoto Inds	2.6m	1,280	+100
Toyama Chem	3.9m	790	+43	Daiichi Seiyaku	2.5m	1,720	+60

4:00 pm prices July 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp	0.48	3.6	21	286	13⅛	12⅞	13⅛	+⅛
26	18¼	A L Labs A	0.18	0.8	88	620	22	20½	22	+¼
68¾	53½	AMP Inc	1.52	2.8	21	2134	54¼	d53½	53¾	-¾
80¼	60⅞	AMR				16791 13	65½	63⅞	63⅞	-2⅛
2⅜	1⅜	ARX			2	6	1⅜	1⅜	1⅜	
53½	38¼	ASA	2.00	4.9	27	138	41⅛	41⅛	41⅛	-⅛
34¼	26⅛	Abbott Lab	0.60	2.0	22	9464	30⅛	29½	29⅝	-¼
13⅞	12	Abitibi Pr	0.50	3.9	9	29	13	13	12⅞	
11⅝	10⅛	ACM Gvt In x	1.11	9.9		253	11¼	11⅛	11¼	+⅛
10⅛	9⅛	ACM GvOpp x	0.94	9.6		74	9⅞	9⅝	9¾	
9½	8½	ACM Gvt Sp x	0.92	9.9		1081	9⅜	9¼	9¼	
11¼	10⅛	ACM Gvt Se	1.13	10.3		1021	11	10⅞	11	+⅛
9⅝	8⅝	ACM Man x	0.98	10.3		130	u9⅝	9½	9½	
12⅞	10⅝	ACM Managd x	1.21	10.8		117	11⅜	11¼	11¼	
11¼	4¼	Acme Cleve	0.40	6.8	20	129	6⅛	5⅞	5⅞	-⅛
6¼	4⅛	Acme Elect			4	14	4¾	4⅝	4⅝	-⅛
33¼	16⅞	Acuson			12	1755	19½	19⅛	19¼	
19½	18⅛	Adams Expr	1.63	8.8	0	43	18⅝	18½	18⅝	
49½	29½	Ad Micro	3.00	9.8		298	31	30½	30⅞	+⅛
21½	7½	Ad Micro P	3.00	38.7		37377	8	7⅝	7⅝	-⅛
9⅛	5	Advest Grp	0.16	2.6	61	12	6⅛	6⅛	6⅛	
36½	33	Aegon ADR	1.68	4.6	6	287	u36⅞	36½	36½	+¼
47	38⅞	Aetna L&	2.76	6.5	81	888	42½	41⅞	42½	+⅛
12	8⅞	Afil A	0.24	2.1	122	112	11⅜	11	11¼	+⅛
32⅞	24	Aflac	0.44	1.4	16	603	31½	30⅞	31⅛	+⅛
13⅛	15⅛	Ahmanson	0.88	5.3	72	114	16⅞	16⅛	16⅝	+⅛
22½	5⅛	Aileen Inc			6	300	6⅛	6	6⅛	-⅛
49½	36½	Air Pr Chm x	0.88	2.1	17	1898	41⅜	40½	40⅞	-⅝
29⅜	13⅛	Airbne Frt	0.30	2.3	102	219	13⅞	d13	13⅛	-⅛
34¼	22⅞	Airgas Inc			28	72	31⅛	30⅞	30⅞	-⅛

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices July 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	27	7	13⅛	13	13	
Pat HtAP	1.14	16	14	14⅝	14⅝	14⅝	
Phil LD	0.21	18	738	38½	37⅝	38½	
Pitway A	1.10	16	21	30⅝	30¼	30¼	-⅛
Ply Gem	0.12	21	14	10⅞	10¾	10¾	-⅛
PMC x	0.66	15	2	10⅝	10⅝	10½	
PresidioA	0.10	1	50	2	2	2	
Price Com		0	101	[illegible]	[illegible]	[illegible]	[illegible]
RB&W Cp		1	8	3⅝	3⅝	3⅝	
RiedelEnv		2	495	u5¾	4¾	5⅝	+⅝
SJW Corp	1.98	9	15	33	32½	32¾	+½
StonUnion		22	3	14	13⅞	14	
Starrt El		12	8	3½	3½	3½	+⅛
TII Ind		2	10	1⅝	1⅝	1⅝	
Tab Prods	0.40	37	2	10⅛	10⅛	9⅝	-½
Tel&Data	0.32	43	172	33⅝	32¾	33⅝	+⅝
Thermedcs		107	102	7⅝	7½	7½	-⅛
Thermolns		26	16	25⅞	25¾	25⅞	
Total Pet	0.40	19	280	7⅝	7⅝	7⅝	
TownCntry		1	20	2⅛	2⅛	2⅛	-⅛
Tubos Mex		19	1139	5⅜	5⅛	5⅛	-⅛
UtdFoodsA		4	21	1⅝	1⅝	1⅝	
UtdFoodsB		5	8	1⅝	1⅝	1⅝	
UnivPtms		37	14	11⅛	10¾	11⅛	+⅛
US Cellul		64	231	20⅛	19⅞	20⅛	+⅛
Vivigen		35	34	15⅞	15⅝	15⅝	-⅛
WangLab C		1	2	5¼	5¼	5⅜	+⅛
WangLab B		1	1390	3½	3⅜	3½	
Weatherfd		14	442	4¾	4½	4⅝	
Westamer	0.62	9	23	21½	21⅜	21⅜	-⅛
WthRET	1.12	14	389	12¼	11⅞	12	-⅛
Wortham	0.05	9	38	21⅛	21	21	[illegible]

WE KEEP YOU IN TOUCH FROM TURIN TO TORONTO.

You'll find the Financial Times on the leading airlines and at hotels and kiosks in business centres around the world. So wherever your business takes you, our news and views can be part of your business day.

Any problems call the FT Copyline on 49 69 15685150.

FINANCIAL TIMES

NASDAQ NATIONAL MARKET

4:00 pm prices July 8

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		20	1278	18½	17⅞	18½	+¼
Xoma Corp		7	1187	13½	13	13¼	
Yellow Fr	0.94	20	1318	25½	24⅞	25¼	-¼
York Rsch		5	769	5⅛	4⅞	5⅛	+¼
Zionutah x	1.44	11	37	56¾	54½	54½	-1

AMERICA

Dow settles back into narrow trading range

Wall Street

US SHARE prices settled down after Tuesday's program-related sharp losses, but the underlying tone remained weak, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 1.89 at 3,293.28, having spent most of the session only a few points off the opening mark. The more broadly based Standard & Poor's 500 finished slightly firmer, up 1.11 at 410.27, while the Amex composite ended 0.40 lower at 379.86, and the Nasdaq composite 0.20 higher at 557.61. Turnover on the NYSE was 201m shares.

Overnight losses on foreign markets set the scene for a muted opening in New York, but a rebound in the dollar and recent declines in bond yields helped keep early declines to a minimum. Investors remained concerned, however, about how second quarter corporate earnings will look. The first reports are beginning to trickle in, and the market is unlikely to make up much of the recent lost ground until it has clear proof of improvements in corporate profits.

Among individual stocks, sports shoe makers were in the limelight. The market leader, Nike, jumped $6¾ to $66¼ in heavy trading after the company reported fiscal fourth quarter earnings of 92 cents a share, up from 76 cents a share and above the average of analysts' forecasts.

Going in the other direction, LA Gear dropped $1⅝ to $10⅝ on a second quarter loss of $1.29 a share after taking a 68 cents a share litigation settlements charge.

Georgia-Pacific fell another $½ to $54½ after Dean Witter Reynolds, the broking house, cut its 1992 estimate to 50 cents a share from $1.50 cents a share. This follow's the company's warning on Tuesday that it would only just break even in the second quarter.

Giant Industries rose $1⅞ to $6½ after the company projected second quarter net income of as much as 27 cents a share, which would represent a strong turnround from the loss it incurred at the same stage a year ago.

First Virginia Banks rose $1 to $48½ on news of second quarter earnings well up on a year ago.

On the Nasdaq market, Roadway Services fell $3¾ to $62 after the broking house, Alex Brown & Sons, cut its rating for the stock from "buy" to "neutral" and lowered its 1992 earnings estimate from $3.79 a share to $3.50 a share.

Durr-Fillauer jumped $5¼ to $27½ after the rival drug and healthcare group, Bergen Brunswig, announced that it had made an offer for the company of $26 a share.

Exabyte Corp rose $2¾ to $29¾ after the company reported second quarter net income of 54 cents a share, well up from the 30 cents a share of the second quarter of 1991.

Canada

TORONTO share prices closed little changed in moderate trading. Based on preliminary data, the TSE 300 composite index gained 2.09 points, or 0.06 per cent, to 3,418.38. Advances edged declines 269 to 260, volume of 24.3m was below the previous 30.8m, and trading value was C$268.9m against C$361m.

The real estate sub-group posted the day's biggest decline, down 1.71 per cent on index.

Mixed company news subdues Jakarta

But foreign investors may be tempted into Indonesian shares, writes **William Keeling**

THE colour of the trading floor of the Jakarta Stock Exchange (JSE) is a cool blue, in contrast with the heated faces of the traders. In the visitors' gallery above, anxious investors train binoculars on the boards, one alloted to each of the 148 quoted companies, to watch their share prices go up and down.

"There used to be telephones for people in the gallery to call down to the floor but they've been removed. Occasionally you see pieces of paper pressed against the gallery window with "SELL" written in large letters," says one broker.

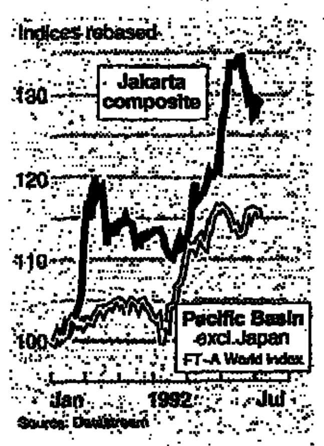
Brokers say that Jakarta's trading floor is similar to that of Singapore's a decade ago and is changing rapidly. Until recently floor traders sat behind large desks in armchairs. Now they are perched behind lecterns with two-way radios and mobile phones. By 1995 the exchange is scheduled to move to a new $300m computerised complex.

The move might be overly ambitious given the recent history of the Jakarta market. Its composite index crashed from a high of 682 in April 1990 to under 225 last October. However, the market has since risen steadily to about 320, closing at 319.70 yesterday, although the hope that it might hit 400 by the year-end now appears optimistic.

Equities discounted the result of the June 9 parliamentary election, won by the ruling Golkar party, in advance of polling day. Having momentarily broken 330, the index has slipped back in generally quiet trading averaging about Rp34bn ($17m) a day.

The subdued mood has been compounded by mixed news from the two largest quoted companies.

On June 22 Indocement announced acquisitions totalling $848m from within the Salim Group of which it is itself a part. Whilst its shares have only slipped Rp250 to Rp12,250, the nature of the purchases raised eyebrows amongst brokers and reminded public investors that with most quoted Indonesian companies they are at the mercy of private majority shareholders.



Shares in Astra International, which accounts for over 50 per cent of Indonesia's vehicle sales, have fallen back sharply since mid-June, from Rp14,350 to Rp11,300, following the announcement of disappointing first-quarter figures which saw net profits fall by 55 per cent to Rp95.6bn. Brokers are concerned that Astra may not be the only company with poor results and do not expect the half-year results season, due to be released in late-July and August, to boost the index.

Lending rates are expected to fall a few points from about 26 per cent at present, but a concomitant drop in deposit rates will be to the detriment of many companies, the profits of which have been boosted by high interest earnings. Whilst economists are optimistic about the long-term growth of the economy, the prospect of presidential elections next March is beginning to unsettle some investors.

"President Suharto is almost certain to win, but it's still a bit of a worry," says one foreign broker.

There have been comparatively few new issues this year, with an estimated Rp400bn raised in the first six months compared to Rp5,000bn in the same period of 1990. As a corollary, however, most new issues have been oversubscribed and have gone to an instant premium: last week Kabel Metal Indonesia, a producer of electrical and telecommunication cable, was listed at Rp3,500 and is now trading above Rp4,000 on the back of foreign interest.

The exchange is also finalising plans to permit rights trading, an area where profits – and losses – are quickly made. Prices on the exchange cannot move by less than Rp50, so as one broker explains. "If the price of a traded right moves up from Rp200 to Rp250, you've made an instant 25 per cent profit".

Where Jakarta may benefit is from investors tiring of other regional markets such as Hong Kong, Bangkok and Manila. Brokers say that one large US bank has gone long on Jakarta and, given the market's illiquidity, any surge in foreign interest is almost certain to send prices rising.

Brokers estimate that foreign investors are holding about $4bn in shares of a listed market capitalisation of about $12bn. A decree allowing foreigners to hold bank shares is expected to be finalised before the end of the month which, they say, may give the market some impetus.

EUROPE

Weak dollar takes toll of continental bourses

THE WEAK dollar continued to worry bourses yesterday, and Wall Street's overnight drop exacerbated the issue, *writes Our Markets Staff.*

FRANKFURT sank to its lowest close since May 15, the DAX index closing 16.33 lower at 1,751.18 after a 2.91 decline to 694.45 in the FAZ at midsession. Turnover rose from DM5bn to DM5.2bn.

The slide left 28 of the 30 DAX blue chips with losses. There was good and bad news in that for Mr Robert Willis and Mr Roderick Hinkel of Hoare Govett, who have just reviewed the DAX constituents. Of the big fallers, Metallgesellschaft, down DM10.60 at DM395.20, was one of their principal sell recommendations; but Degussa (down DM11 at DM323.20) was seen as a strong buy.

Both companies are under pressure from the weak dollar and the denomination of their sales in dollar terms. Degussa was also hit by news that it was one of nine German companies which were searched on Tuesday on suspicion of making illegal deliveries to Iraq; however, it told Mr Willis later that its deliveries involved vacuum ovens supplied to Iraq Airways, approved by the German government, and even insured by the latter under its export guarantee scheme.

The main rise of the day came in Asko, DM27 better at DM691, on hopes that its retailing future will outweigh its wheeler-dealer past; the construction group, Strabag, posted a DM6 rise to DM611 on a good progress report on 1992.

PARIS saw companies with dollar-denominated earnings fall further than the index. The CAC 40 lost 31.34 or 1.7 per cent to 1,847.75 in turnover of FFr1.8bn. Alcatel remained the most active stock, rising FFr8 to FFr646 in arbitrage-related buying.

FT-SE Eurotrack 100 - Jul 8							
Hourly changes							
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1122.66	1123.40	1121.25	1119.18	1119.08	1121.08	1121.08	1121.53
Day's High 1123.75				Day's Low 1118.35			

Jul 7	Jul 6	Jul 3	Jul 2	Jul 1
1129.83	1134.09	1142.19	1134.63	1132.36

Base value 1000 (26/10/90)

Among companies with exposure to the US, Péchiney dropped FFr25 or 7.7 per cent to FFr300 while Lafarge dropped Fr11.50 or 3.6 per cent to FFr312.50. Saint Gobain lost FFr16 to FFr554.

Continued worries that the banking sector would have to increase provisions for property-related loans were blamed for the FFr13.40, or 3.9 per cent drop in Paribas to FFr324.50.

MILAN continued to fall as rumours about the government's planned interim budget swirled around the market. There was talk of an increase in the property tax, and fears that drastic government measures could bring on a painful recession in the economy. The Comit index fell 5.08 to a new 1992 low of 429.12 in turnover estimated at less than Tuesday's L104.8bn.

Generali fell L550 to L26,900, in spite of reports that some domestic mutual funds had mounted a mopping-up operation the previous day.

Telecoms remained weak, with Stet slipping L79 or 4.9 per cent to L1,550. Its new warrants are due to be listed today. Sip steadied after falling heavily on Tuesday, losing just L2 to L1,171.

Fiat dropped below the important L5,000 mark, closing down L54 at L4,977, but recovered to L5,020 after hours.

ZURICH lost just over 1 per cent, the SMI index falling 19.0 to 1,837.6. Chemicals came under pressure because of the weak dollar, Ciba-Geigy bearers falling SFr14 to SFr627 and Sandoz bearers by SFr100 to SFr2,890. Dealers said that Sandoz was slightly overbought recently following US roadshows last month.

MADRID saw widespread selling drive down the banking, gas and utilities sectors as the general index closed down 2.68 at 233.61, a new low for the year. Volume was weak at around Pta7bn.

AMSTERDAM's CBS Tendency index fell 0.9 to 120.7. Nutricia fell another Fl 4.00 to Fl 141.50 after the chairman's comments that earnings would be under pressure this year.

STOCKHOLM lost 1.9 per cent, the Affärsvärlden General index ending 16.9 down at another new 1992 low of 877.5 in turnover of SKr552m.

Ericsson B led the active stocks, falling SKr3 to SKr127; the pulp producer Modo, sensitive to fluctuations in the dollar, SKr20 to SKr225.

OSLO dropped almost 1.5 per cent, the all-share index shedding 5.89 at 391.82. Norsk Hydro ended NKr3.50 lower at NKr150 after the US Commerce Department ruled on Tuesday that Hydro was dumping pure magnesium in the US market from its plant in Canada. **HELSINKI** hit a second consecutive 1992 low as ex index closed 5.5 down at 737.9.

ISTANBUL fell 1.9 per cent on profit-taking brought on by concern about the Treasury auction and the suspension of shares in in the iron and steel giant, Eregli. The 75-share index ended at 4,426.91, down 85.83.

ASIA PACIFIC

Firmer biotechnology sector lifts Nikkei

Tokyo

A LATE rally in the biotechnology sector pushed up share prices, and the Nikkei average, which had been initially depressed by Tuesday's fall on Wall Street and concerns about financial problems at construction companies, closed higher for the first time in four days, *writes Emiko Terazono in Tokyo.*

The 225-issue average closed up 140.71 at the day's high of 16,600.26, having fallen to the day's low of 16,271.68 in the morning session on small-lot arbitrage selling.

Volume rose to 190m shares from 160m. Domestic and foreign institutions refrained from action. "The foreigners are sitting tight," said Mr Robert Wicks at James Capel. He added that apart from dealers and a few individuals trading "theme" stocks, the flow of new money into the market had stopped.

Advances led declines by 548 to 377 with 148 issues remaining unchanged. The Topix index of all first section stocks rose 2.98 to 1,274.13 and in London, the ISE/Nikkei 50 index fell 3.45 to 1,000.10.

Dealers tried to generate activity by trading speculative theme stocks in the afternoon. Issues which have been previously sought on the "Aids theme", and the "blue-fin tuna theme", advanced.

Meiji Milk Products was the most active issue of the day, rising Y34 to Y985, while Fujisawa Pharmaceutical advanced Y19 to Y989 and Taiyo Fisheries Y15 to Y517.

However, Nippon Telegraph and Telephone, regarded as a benchmark for market sentiment, fell Y7,000 to Y622,000.

Construction-related issues continued to fall as investors remained pessimistic about the sector following an announcement by Royal Construction, a small construction company listed on the over-the-counter market, that the company had dishonoured bills, and would seek court protection from its creditors.

The Japan Securities Dealers Association said Royal Construction would be eligible for trading on the OTC market for the next six months as an issue not registered with the association.

Trading in shares of Sanyo Kokusaku Pulp and Jujo Paper was halted in the afternoon, after reports of a merger between the two companies. The companies later announced that the merger will take place next April, creating the largest company in the industry with annual sales of around Y700bn. Buying orders surged on the reports, Sanyo Kokusaku rising by Y27 to Y578, and Jujo adding Y26 to Y536 before the suspension.

Retail issues continued to weaken, with Ito-Yokado down Y30 to Y3,890. Ms Victoria Melendez, retail analyst at Jardine Fleming, said poor domestic sales together with losses at Southland, Ito-Yokado's consolidated US subsidiary, was hurting the share price.

In Osaka, the OSE average fell 87.25 to 19,221.76 in volume of 6.9m shares.

Roundup

WALL STREET exerted a persuasive influence on most of the region yesterday but Hong Kong and, to an extent, New Zealand had other ideas. Bombay stayed closed.

AUSTRALIA ended lower after the Reserve Bank delivered a long-awaited, but smaller-than-expected cut in official interest rates. Banks led the way down as the All Ordinaries index slipped 9.1 to 1,651.4. Westpac and ANZ each lost 9 cents to A$3.39 and A$3.95 respectively, while Commonwealth fell 5 cents to A$7.33.

The gold index firmed 2.1 to 1,175.3 after bullion prices leapt above $347 an ounce. Pacific Placer rose 8 cents to A$2.78, while Kidston climbed 5 cents to A$1.57.

TAIWAN was pulled down by heavy selling in the last hour after the central bank said that it had no plans to cut official interest rates. The weighted index plunged 102.91 or 2.3 per cent to 4,329.31 in active turnover of T$26.93bn after T$25.7bn.

Construction shares were hit by fears that the government would crack down further on land speculation. Cathay Construction fell T$2.50 to T$63.50.

MANILA continued to fall as investors stayed on the sidelines to assess the performance of the new government. The composite index fell 14.51 to 1,481.82 in combined turnover of 581m pesos, up from 211m.

HONG KONG closed higher on renewed buying as the market discounted the failure of Sino-British talks over funding for Hong Kong's new airport. The Hang Seng index jumped 69.99 or 1.2 per cent to 5,981.91 but turnover fell to HK$2.88bn from HK$3.56bn.

Blue chips were sought after, with HSBC topping the most active list and gaining 50 cents to HK$49.50.

NEW ZEALAND ended unchanged after recouping an early loss of 1 per cent. The NZSE-40 capital index dropped 14 points at the start, overshadowed by the overnight fall on Wall Street, but closed 0.54 better at 1,570.70 in turnover of NZ$33m.

SOUTH AFRICA

JOHANNESBURG fell on further selling by private investors. The industrial index lost 63 to 4,304 while the overall index fell 30 to 3,514. But the gold index gained 9 to 1,076 as the weak financial rand attracted overseas interest.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 8 1992								TUESDAY JULY 7 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	146.36	−0.5	113.04	115.46	113.83	130.54	−0.7	4.19	147.06	113.20	115.64	114.53	131.46	153.68	140.94	143.22
Austria (19)	170.81	−1.3	131.93	134.75	132.85	132.72	−1.5	2.20	173.08	133.24	136.11	134.80	134.81	186.70	162.48	175.76
Belgium (42)	148.08	−0.5	114.38	116.81	115.17	112.48	−0.8	5.47	148.75	114.51	116.96	115.85	113.35	148.75	135.87	124.53
Canada (115)	127.65	+0.4	98.60	100.70	99.28	110.09	+0.0	3.25	127.10	97.84	99.94	98.98	110.12	142.12	124.32	138.62
Denmark (35)	244.38	−0.5	188.76	192.79	190.07	191.03	−0.8	1.84	245.63	189.08	193.16	191.30	192.60	273.94	226.81	244.43
Finland (15)	78.60	−0.7	60.71	62.01	61.13	67.32	−0.7	2.10	79.15	60.92	62.24	61.64	67.79	89.80	73.84	93.58
France (104)	162.57	−1.4	125.57	128.24	126.43	128.46	−1.5	3.64	164.80	126.86	129.58	129.34	130.35	168.75	148.06	124.85
Germany (65)	129.01	−0.2	99.64	101.79	100.34	100.34	−0.4	2.29	129.32	99.55	101.70	100.71	100.71	129.32	114.67	104.49
Hong Kong (55)	252.59	+1.1	195.09	199.26	196.46	250.74	+1.1	3.27	249.94	192.39	196.53	194.66	248.12	259.55	176.36	163.04
Ireland (16)	156.95	−0.9	121.23	123.82	122.07	124.03	−1.2	4.37	158.33	121.88	124.51	123.31	125.56	173.71	151.78	140.62
Italy (78)	66.29	−0.8	51.20	52.30	51.56	55.90	−1.0	3.74	66.80	51.42	52.52	52.02	56.47	80.86	66.29	71.71
Japan (473)	100.12	+0.1	77.33	78.98	77.88	78.98	+0.4	1.08	100.05	77.02	78.67	77.93	78.67	140.95	88.70	126.83
Malaysia (69)	241.34	−0.2	186.41	190.38	187.70	232.18	−0.2	2.69	241.74	186.09	190.09	188.26	232.62	250.18	212.49	227.72
Mexico (18)	1409.71	−3.5	1088.84	1112.10	1096.43	4804.26	−3.5	1.23	1460.98	1124.55	1148.76	1137.74	4978.21	1789.77	1355.22	1068.32
Netherland (25)	164.31	−0.3	126.91	129.62	127.80	126.44	−0.5	4.43	164.82	126.88	129.61	128.37	127.08	165.22	147.88	131.87
New Zealand (14)	47.43	−0.3	36.64	37.42	36.89	46.23	−0.3	4.91	47.57	36.62	37.41	37.05	46.39	48.52	42.01	47.71
Norway (23)	170.08	−1.7	131.37	134.18	132.29	135.45	−1.9	1.87	173.02	133.19	136.06	134.75	138.03	192.95	161.26	191.39
Singapore (38)	218.71	−0.2	168.93	172.54	170.10	162.72	−0.1	2.04	219.10	168.66	172.29	170.63	162.91	229.63	192.76	191.48
South Africa (61)	199.54	−4.5	154.12	157.41	155.19	176.90	−0.7	2.92	208.91	160.82	164.28	162.70	178.20	283.60	199.54	255.38
Spain (50)	151.53	−1.1	117.04	119.55	117.88	108.71	−1.1	5.40	153.27	117.98	120.53	119.37	109.96	161.72	146.86	140.71
Sweden (29)	192.03	−1.1	148.32	151.49	149.35	153.86	−1.3	2.64	194.20	149.49	152.71	151.24	155.82	200.28	173.09	188.40
Switzerland (63)	111.65	−1.4	86.24	88.09	86.85	93.24	−1.4	2.30	113.20	87.14	89.02	88.17	94.54	113.51	95.98	88.77
United Kingdom (227)	189.52	−1.2	146.38	149.49	147.39	146.38	−0.9	5.06	191.87	147.70	150.86	149.41	147.69	200.07	165.85	161.95
USA (523)	166.98	+0.2	128.98	131.74	129.88	166.98	+0.2	3.00	166.63	128.27	131.04	129.78	166.63	171.66	160.92	152.17
Europe (791)	153.26	−1.0	118.38	120.91	119.21	119.32	−0.9	4.05	154.79	119.16	121.72	120.56	120.44	156.88	139.31	130.08
Nordic (102)	178.99	−1.0	138.25	141.21	139.22	136.90	−1.1	2.29	180.72	139.11	142.11	140.74	138.49	188.52	169.66	181.69
Pacific Basin (718)	106.77	+0.1	82.47	84.23	83.05	85.58	+0.4	1.44	106.67	82.11	83.88	83.08	85.27	141.97	94.40	128.28
Euro – Pacific (1509)	125.57	−0.4	96.99	99.05	97.68	99.52	−0.3	2.72	126.13	97.09	99.17	98.22	99.80	145.21	113.80	129.32
North America (638)	164.51	+0.2	127.07	129.79	127.97	163.11	+0.2	3.01	164.15	126.36	129.09	127.86	162.78	169.69	158.70	151.25
Europe Ex UK (564)	131.21	−0.8	101.35	103.53	102.08	103.59	−1.0	3.33	132.30	101.84	104.06	103.06	104.59	132.30	121.81	110.87
Pacific Ex. Japan (245)	172.22	+0.2	133.02	135.88	133.96	153.59	+0.1	3.49	171.83	132.27	135.14	133.84	153.37	175.31	149.00	142.63
World Ex. US (1703)	127.22	−0.5	98.27	100.37	98.96	101.86	−0.3	2.73	127.89	98.44	100.57	99.60	102.18	146.91	116.45	131.52
World Ex. UK (1999)	134.97	−0.1	104.24	106.48	104.98	119.39	+0.0	2.55	135.09	103.99	106.24	105.22	119.39	150.58	127.21	135.14
World Ex So. Af. (2165)	139.33	−0.2	107.61	109.92	108.37	121.39	−0.1	2.83	139.57	107.44	109.76	108.71	121.50	153.05	130.04	136.71
World Ex. Japan (1753)	161.81	−0.3	124.98	127.66	125.87	146.61	−0.3	3.40	162.33	124.96	127.66	126.44	146.98	165.40	153.20	144.46
The World Index (2226)	139.67	−0.2	107.88	110.19	108.64	121.90	−0.1	2.84	139.99	107.76	110.08	109.03	122.02	153.70	130.66	137.50

Constituent change with effect 9/7/92: Deletion: Sea Containers (USA).